



**CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS  
RECEIVABLE**

**AUGUST 2003**

**DIRECTOR ACCOUNTING SERVICES**

# **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

## **FOREWORD**

This Concept of Operations (CONOPS) for Managing Accounts Receivable provides accounts receivable processes and procedures that are mandatory for The Defense Finance and Accounting Service. This CONOPS is effective immediately and replaces the DFAS Concept of Operations For Recording and Reporting Receivables Due From the Public dated February, 2000 and all other DFAS Instructions, Standard Operating Procedures, and desk procedures pertaining to the reporting and management of accounts receivables regardless of their source.

The field sites, in coordination with their respective Center, shall develop desk procedures and provide training for implementing this CONOPS.

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# **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

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## **TABLE OF CONTENTS**

	Page
Foreword	2
Table of Contents	3
Figures	7
References	9
Definitions	10
Abbreviations and Acronyms	16
Chapter 1 – ACCOUNTS RECEIVABLE GENERAL	19
C1.1. Scope/Purpose	19
C1.2. Background	19
Chapter 2 – ROLES, RESPONSIBILITIES and ACCOUNTABILITY	20
C2.1. DFAS-Arlington	20
C2.2. DFAS Centers	20
C2.3. Field Sites	20
C2.4. Component Client Executives	21
C2.5. Accounts Receivable Office	21
C2.6. Debt Organizations	22
C2.7. Entitlement Organizations	22
C2.8. Commercial Pay	22
C2.9. Contract Pay	23
Chapter 3 – ACCOUNTS RECEIVABLE PROCESSES	24
C3.1. Accounts Receivable Events	24
C3.1.1. Sales of Goods/Materiel and Services to the Public	24
C3.1.1.1. General	24
C3.1.1.2. Management of Collection Actions	24
C3.1.1.3. Aged Receivables	24

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

C3.1.1.4. Recording Collections	24
C3.1.1.5. Adjusting/Correcting/Disputed Billings	24
C3.1.1.6. Commercial Pay Services Business Line	25
C3.1.1.7. Military and Civilian Pay Services Business Line	25
C3.1.1.8. Reconciliations	26
C3.1.1.9. Allowance for Doubtful Accounts	27
C3.1.1.10. Write-Off and Close-Out of Public Receivables	27
C3.1.1.11. Write-Off	27
C3.1.1.12. Currently Not Collectible	27
C3.1.1.13. Close Out	28
C3.1.1.14. Contractor/Vendor Receivables <\$600 and Individual Out-of-Service Receivables <\$225	28
C3.1.1.15. Contractor/Vendor Receivables <\$600 and Individual Out-of-Service Receivables >\$225	29
C3.1.2. Intergovernmental Accounts Receivable	29
C3.1.2.1. General	29
C3.1.2.2. Accounting for Reimbursable Work	29
C3.1.2.3. Management of Collection Actions	30
C3.1.2.4. Recording Collections	30
C3.1.2.5. Adjusting and Correcting Billings	30
C3.1.2.6. Disputed Billings	30
C3.1.2.7. Adjusting and Correcting Accounts Receivable	31
C3.1.2.8. Intergovernmental Accounts Receivable Outside the DoD	32
C3.1.2.9. Disputed Billings	33
C3.1.2.10. Wholesale Materiel	33
C3.1.2.11. Recording Collections	34

## **CHAPTER 4 – GENERAL LEDGER ENTRY REQUIREMENTS FOR WORKING CAPITAL FUND (WCF) PUBLIC RECEIVABLES**

C4.1. Introduction	35
C4.2. Contractor Pay	35
C4.3. Payroll Systems (DJMS, DCPS, MCTFS and DRAS) and Individual Out-of-Service Receivable System (DDMS-DE)	38
C4.3.1. Accounting Operations Records Pay System Over Disbursement	39
C4.3.2. Accounting Operations Records Through the Pay System	40
C4.3.3. Record Intragovernmental Payment Collection System (IPAC) Collections from DDMS-DE	40
C4.3.4. Interest, Penalties, Fines and Administrative Fees	41
C4.3.5. Accrual of Interest, Penalties, Fines and Administrative Fees	41
C4.3.6. Collections for Interest, Penalties, Fines and Administrative Fees	42
C4.3.7. Establishment of the Allowance for Doubtful Accounts and Write-Offs	43
C4.3.8. Payroll and Individual Out-of-Service Receivable Write-Offs	44
C4.3.9. Collections for Receivables on Closed Year Funds	45

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

### APPENDIXES

AP1. MOCAS Demand Letter Tracking Report (DLTR)	47
AP2. Quarterly Receivable Report (QRR) Definitions and Instructions	50
AP3. Sample Letters	64
AP4. Statements of Federal Financial Accounting Standards	80
AP5. Reconciliation of Accounts Receivable Data Contained in Financial Reports	83

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# CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE

**FIGURE C3-1**

## MOCAS SAMPLE DLTS REPORT EXCERPT

Service	DSSN	ACRN	Appropriation	Limit	Station	Amount	Contractor's Name	Contract Number	Demand Amount	Bill of Collection #	Date of 1st Letter	Date of 2nd Letter	Directorate	Demand Disputed
4	8558	AK	17 97 1106	27A0	000027	\$198.29	CAM SYSTEMS, INC.	M67854-97-D1081/0005	\$2,265.23	D3S2308	12/9/02		South	FALSE
4	8565	AH	17 M 1106	2720	000027	\$654.36	MINE SAFETY	DAAA15-88-C0059/	\$388,630.66	D9N0037	3/25/99		North	TRUE
2	8558	AE	17 97 1106	27A0	000027	\$2,066.94	CAM SYSTEMS, INC.	M67854-97-D1081/0005	\$2,265.23	D3S2308	12/9/02		South	FALSE
4	8565	AA	17 95 1319	M232	000027	\$1,085.00	SCHAFFER CORPORATION	N00178-96-C1002/	\$1,085.00	D2N9666	1/9/02		North	FALSE
4	8565	AG	17 M 1106	2720	000027	\$623.90	MINE SAFETY	DAAA15-88-C0059/	\$388,630.66	D9N0037	3/25/99		North	TRUE
4	8565	AF	17 M 1106	2720	000027	\$3,684.06	MINE SAFETY	DAAA15-88-C0059/	\$388,630.66	D9N0037	3/25/99		North	TRUE
4	8565	AD	17 M 1106	2720	000027	\$31,668.90	MINE SAFETY	DAAA15-88-C0059/	\$388,630.66	D9N0037	3/25/99		North	TRUE
4	8565	AB	17 M 1106	2720	000027	\$33,156.86	MINE SAFETY	DAAA15-88-C0059/	\$388,630.66	D9N0037	3/25/99		North	TRUE
4	8565	AA	97 X4930	NC1A	000104	\$13,770.85	B AND G MFG	N00102-86-C2568/	\$13,770.85	D0N4647	7/11/00	12/20/00	North	TRUE
4	8558	AA	97 X 4930	NC1A	000104	\$19,567.00	LOCKHEED MARTIN	N00104-99-GA401/5195	\$19,567.00	D2S0813	5/17/02		South	FALSE
4	8558	AA	97 X 4930	NC1A	000104	\$150.00	FACET ENTERPRISES	N00104-01-PFJ42/	\$150.00	R3S2445	12/19/02		South	FALSE
4	8558	AC	97 X 4930	NC1A	000104	\$85,049.99	FEDERAL CORRECTIONAL INSTITUTI	N00104-94-FNA03/	\$234,932.22	R2S1779	9/18/02		South	TRUE
4	8538	AA	97 X 4930	NC1A	000104	\$5,370.52	RAYTHEON	N00104-96-MGB49/	\$5,370.52	R2W0315	4/1/02		West	FALSE
4	8558	AA	97X4930	NCIA	000104	\$4,000.00	NORTHROP GRUMMAN	N00104-95-GA207/0021	\$4,000.00	D2S1817	9/25/02		South	FALSE
4	8565	AA	97 X 4930	NC1A	000104	\$682.63	DERBYSHIRE MACHINE	N00104-01-CFA08/	\$682.63	P3N2292	11/21/02		North	FALSE
4	8565	AA	97 X 4930	NC1A	000104	\$572.60	DERBYSHIRE MACHINE	N00104-01-CFA53/	\$572.60	P3N2293	11/21/02		North	FALSE
4	8565	AA	97 X 4930	NC1A	000104	\$398.00	DERBYSHIRE MACHINE	N00104-00-CFA39/	\$398.00	P3N2294	11/21/02		North	FALSE
4	8565	AA	97 X 4930	NC1A	000104	\$1,308.30	MICRO PRECISION	N00104-00-CFA16/	\$1,308.30	P3N2295	11/21/02		North	FALSE

## CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE

**FIGURE C3.-2 MONTHLY DEBT MANAGEMENT REPORT (MDMR) EXCERPT**

CENTER	OPLOC Name	Approp	Appropriation	Limit	Long Line	Station	Bill of Collection	SDN	Original Line Principal	Beginning FY Balance	Interest Accrued	Penalty/Admin Accrued	Principal Collected	Interest Collected
CLEVELAND	Charleston	11 17 9595 11M0	11 17 9595	11M0	000 62271 0 A00179	000179	0179700791	None	\$11,030.02	\$15,958.38	\$265.18	\$0.00	\$0.00	\$0.00
CLEVELAND	Charleston	17 00 0929 4181	17 00 0929	4181	4181 081KM 0000 SASGG B68342 2D 065540 KM502	065540	0170000381	None	\$13,030.84	\$15,267.21	\$329.39	\$0.00	\$0.00	\$0.00
CLEVELAND	Charleston	17 00 1430 2252	17 00 1430	2252	25 74477 G000022	000022	0210100121	None	\$30,750.00	\$29,171.75	\$647.26	\$0.00	\$0.00	\$0.00
CLEVELAND	Charleston	17 00 1453 2258	17 00 1453	2258	000 74000 G000022	000022	0333660	None	\$1,013.94	\$0.00	\$10.05	\$0.00	\$1,013.94	\$8.38
CLEVELAND	Charleston	17 00 1506 44A9	17 00 1506	44A9	JB 251 AA207 0 068342 N65923 02090MSS0000	068342	0333828	None	\$0.00	\$0.00	\$1.78	\$26.00	\$0.00	\$0.00
CLEVELAND	Charleston	17 00 1506 46JC	17 00 1506	46JC	JB 46JC 257 JTA4R 0 068342	068342	0232361	None	\$7,257.25	\$7,605.89	\$174.48	\$0.00	\$0.00	\$0.00
CLEVELAND	Charleston	17 00 1506 47C2	17 00 1506	47C2	000 CCA54 0 068342 000000	068342	0221455	None	\$163,099.47	\$175,911.57	\$3,921.18	\$0.00	\$0.00	\$0.00
CLEVELAND	Charleston	17 00 1506 U1CC	17 00 1506	U1CC	JB 251 AA257 0 068342 N65923 02150ETS0000 4 2D	068342	0333828	None	\$0.00	\$0.00	\$22.40	\$0.00	\$0.00	\$0.00
CLEVELAND	Charleston	17 00 1611 8224	17 00 1611	8224	PB 000 EJWML 0 068342 000000 2D	068342	0333711	None	\$23,571.48	\$0.00	\$600.84	\$50.00	\$0.00	\$0.00
CLEVELAND	Charleston	17 00 1804 11CL	17 00 1804	11CL	250 477831 016888 92 2D 923602	068892	9710100361	None	\$14,647.05	\$15,197.09	\$0.00	\$0.00	\$0.00	\$0.00
CLEVELAND	Charleston	17 00 1804 11CL	17 00 1804	11CL	250 477831 016888 92 2D 923602	068342	0579700061	None	\$162,817.32	\$227,892.58	\$3,914.40	\$0.00	\$0.00	\$0.00
CLEVELAND	Charleston	17 00 1804 11LO	17 00 1804	11LO	11LO 000 00161 0 068892 2D C84051 001610SC85WWW	068892	0170001081	None	\$4,175.47	\$3,548.27	\$0.00	\$0.00	\$2,241.10	\$0.00
CLEVELAND	Charleston	17 00 1804 12TL	17 00 1804	12TL	420 00013 R 068892 3C 068370 00013RECVRX	068892	0170100271	None	\$1,215.40	\$1,434.82	\$16.31	\$0.00	\$1,215.40	\$137.89
CLEVELAND	Charleston	17 00 1804 12TL	17 00 1804	12TL	420 0013 H 068892	068892	0332901	None	\$616.70	\$0.00	\$59.25	\$50.00	\$0.00	\$0.00
CLEVELAND	Charleston	17 00 1804 12TL	17 00 1804	12TL	420 00013 R 068892 3C 068370 00013RECVRX	068892	0170100231	None	\$1,185.76	\$1,401.05	\$15.91	\$0.00	\$1,185.76	\$134.53
CLEVELAND	Charleston	17 00 1804 12TL	17 00 1804	12TL	420 00013 R 068892 3C 968370 00013RECVRX	068892	0170100301	None	\$1,563.00	\$1,830.88	\$37.58	\$0.00	\$0.00	\$0.00
CLEVELAND	Charleston	17 00 1804 12TL	17 00 1804	12TL	420 00013 R 068892 3C 068370 00013RECVRX	068892	0170100311	None	\$6,825.92	\$7,827.45	\$164.11	\$0.00	\$0.00	\$0.00
CLEVELAND	Charleston	17 00 1804 12TL	17 00 1804	12TL	420 00013 R 068892 3C 06837 00013RECVRX	068892	0170100281	None	\$213.23	\$292.96	\$5.13	\$0.00	\$0.00	\$0.00
CLEVELAND	Charleston	17 00 1804 12TL	17 00 1804	12TL	420 00013 R 068892 3C 068370 00013RECVRX	068892	0170100321	None	\$145.00	\$215.21	\$3.49	\$0.00	\$0.00	\$0.00
CLEVELAND	Charleston	17 00 1804 12TL	17 00 1804	12TL	420 00013 R 068892 3C 068370 00013RECVRX	068892	0170100261	None	\$69.00	\$128.62	\$1.66	\$0.00	\$0.00	\$0.00
CLEVELAND	Charleston	17 00 1804 12TL	17 00 1804	12TL	420 00013 R 068892 3C 068370 00013RECVRX	068892	0170100251	None	\$3,674.00	\$4,236.15	\$88.33	\$0.00	\$0.00	\$0.00
CLEVELAND	Charleston	17 00 1804 12TL	17 00 1804	12TL	42000013 R 068892 3C 068370 00013RECVRX	068892	0170100241	None	\$602.18	\$736.12	\$14.48	\$0.00	\$0.00	\$0.00
CLEVELAND	Charleston	17 00 1804 12TL	17 00 1804	12TL	420 00013 R 068892 3C 068370 00013RECVRX	068892	0170100221	None	\$280.89	\$370.05	\$6.75	\$0.00	\$0.00	\$0.00
CLEVELAND	Charleston	17 00 1804 12TS	17 00 1804	12TS	JH 000 68910 5 C25801 68910082598Q 068892	068892	9710004261	None	\$1,068.40	\$981.10	\$10.31	\$0.00	\$738.05	\$0.00
CLEVELAND	Charleston	17 00 1804 22TG	17 00 1804	22TG	000 00022 A68892 2D CY4014 000220Y8802W A68892	A68892	0170100601	None	\$8,443.18	\$8,599.73	\$0.00	\$0.00	\$0.00	\$0.00
CLEVELAND	Charleston	17 00 1804 3D2D	17 00 1804	3D2D	257 VA031 0 068342 000000 804000000000 2D	068342	0332954	None	\$940.71	\$0.00	\$19.21	\$76.00	\$940.71	\$0.00
CLEVELAND	Charleston	17 00 1804 4U4N	17 00 1804	4U4N	JH 251 AA215 0 068342 N65923 44NP4ETS0000 4 2D	068342	0333828	None	\$0.00	\$0.00	\$1.39	\$0.00	\$0.00	\$0.00
CLEVELAND	Charleston	17 00 1804 97SA	17 00 1804	97SA	NN 000 JA501 0 068342 0SASA0 2574R000404R 2D	068342	0333725	None	\$1,757.92	\$0.00	\$40.25	\$26.00	\$0.00	\$0.00



## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

### **REFERENCES**

- (a) 31 United States Code (USC) 3342
- (b) 31 United States Code (USC) 3717
- (c) Department of Defense (DoD) Financial Management Regulation (FMR), Volume 4, Chapter 5.
- (d) <http://www.fms.treas.gov/debt/dmrpts.html>.
- (e) Debt Collection Improvement Act (DCIA) of 1996
- (f) Generally Accepted Accounting Principles (GAAP)
- (g) Chief Financial Officer (CFO) Act.
- (h) Department of Defense (DoD) Financial Management Regulation 7000.14-R
- (i) <http://dfas4dod@dfas.mil/library>
- (j) Department of Defense (DoD) Federal Financial Management (FMR) Volume 4, Chapter 3, Annex 1
- (k) Statements of Federal Financial Accounting Standards (SFFAS) No. 1
- (l) Office of Management and Budget (OMB) Circular A-129, "Policies for Federal Credit Programs and Non-Tax Receivables."
- (m) United States (U.S) Treasury Financial Management Supplement, "Managing Federal Receivables"
- (n) Department of Defense (DoD) FMR Volume 4, Chapter 3, paragraph 030907
- (o) United States Government Standard General Ledger (USSGL) Chart of Accounts
- (p) Financial Accounting Standards Board Statement of Financial Accounting Concepts No. 5, paragraph 6
- (q) Federal Claims Collection Standards, 4 C.F.R. Part 103, paragraph 102.13
- (r) Federal Claims Collection Standards, 4 C.F.R. Part 103, paragraph 102.13(f)
- (s) Department of Defense (DoD) Financial Management Regulation (FMR). 7000.14-R, Volume 4, Chapter 3, paragraph 0302
- (t) Department of Defense (DoD) Financial Management Regulation (FMR), Volume 6, Chapter 5, paragraph 050405, Table 1
- (u) Department of Defense (DoD) Financial Management Regulation (FMR), 7000.14-R, Volume 4, Chapter 3, paragraph 030212.
- (v) Department of Defense (DoD) Financial Management Regulation (FMR), Volume 6B

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

### **DEFINITIONS.**

Accounting Business Line and Operations:

**Working Capital Funds.** The primary working capital fund (WCF) systems are: the Defense Industrial Financial Management System (DFAS-CL and DFAS-KC); Material Financial Control System (DFAS-CL); Defense Business Management System (all sites); Air Force (AF) Stock Fund Accounting and Reporting System (DFAS-DE); Industrial Fund General Ledger System (DFAS-DE); AF Standard Base Supply System (DFAS-DE); Standard Material Accounting System (DFAS-DE); Standard Industrial Fund System (DFAS-IN); Single Stock Fund System (DFAS-IN); Tactical Unit Financial Management Information System (DFAS-IN); Standard Automated Materiel Management System (DFAS-CO); Defense Fuels Automated Management System (DFAS-CO); Defense Integrated Subsistence Management System (DFAS-CO); and Automated Financial Entitlements System (DFAS-IN); Commodity Command Standard System (DFAS-IN); Uniform Automated Data Processing System-Stock Point (DFAS-CL); Defense Working Capital Accounting Fund System (DFAS-CL); and the Marine Corps Unified Material Management System (DFAS-KC), Logistics Modernization Program (DFAS-IN). These systems provide specific support for each service component and have accounts receivable that is not classified as claims and refunds receivables.

**General Funds.** The primary general fund (GF) systems are: the Standard Operation and Maintenance Army Research and Development System (DFAS-IN); Defense Joint Accounting System (DFAS-IN); Standard Financial System (DFAS-IN and DFAS-CO); Standard Accounting and Reporting System (DFAS-CL); Standard Accounting, Budgeting, and Reporting System (DFAS-KC); General Accounting and Finance System (GAFS) (DFAS-DE); and Defense Business Management System (all sites).

**Accounts Receivable.** Receivables include, but are not limited to, monies due for sale of goods and services, and other events creating indebtedness to the DoD. Sales of goods and services (work or services performed) by and for Federal activities are known as intergovernmental. Examples of intergovernmental receivables include, but are not limited to, work performed by a Public Work Center to a Naval Station and services provided by the Department of Transportation to an Army post.

Receivables arising from sales of goods and services (work or services performed) by Federal activities for non-Federal activities are known as public receivables. Examples of public receivables include overdue travel advances, dishonored checks, fines, penalties, interest, overpayments, fees, rent, claims, damages, and any other event resulting in a determination that monies are owed to the DoD from a non-federal government entity.

**Accounts Receivable Office (ARO).** The accounts receivable office (as used in this CONOPS) is the office responsible for managing receivables to include collection actions and/or the recording and reporting of receivables. In most cases, the ARO is located in a Defense Finance and Accounting Service (DFAS) accounting office, entitlement or debt management office. The ARO is responsible for, preparing the package for transfer to debt collection services, and managing the receivable until such time as it is either collected, written-off, or adjusted. These efforts are supported by the

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

entitlement offices, the Debt Management Office (DMO), the Debt and Claims Management Office (DCM), and the funds holders.

Audited Financial Statement (AFS). The financial statements produced by DFAS Centers.

Adjustments. Adjustments occur when an agency official determines that an intergovernmental accounts receivable is not valid and is therefore uncollectible. These adjustments are made at the transaction level and all collection efforts cease. At that point the original recording of the receivable is considered an error or has been previously collected, but not recorded as such. This is considered a close-out of an intergovernmental receivable.

Close-out. Close-out of delinquent accounts receivable occurs when an agency determines that additional future collection efforts on a receivable would be futile. Amounts \$600 and greater in a single calendar year are reported to the Internal Revenue Service as income to the debtor on IRS Form 1099-C, "Cancellation of Receivable." No additional collection action will be taken after close-out.

Current Receivables. Current accounts receivable are receivables that will come due during the next 12 months following the end of the reporting period.

### **Commercial Pay Business Line**

Commercial Pay Systems. The following are the primary commercial pay systems covered in this CONOPS: Mechanization of Contract Administration Services (MOCAS); Defense Transportation Payment System (DTRS), US Bank Power Track; Computerized Accounts Payable System (CAPS) (Windows and Clipper); Standard Automated Materiel Management System (SAMMS) for DFAS-CO; Defense Integrated Subsistence Management System (DISMS) at DFAS-CO; Standard Automated Voucher Examination System (SAVES) at DFAS-CO; Automated Voucher Examination Disbursing System (AVEDS) for DFAS-CO; One Pay for DFAS-CL (Navy); and the Integrated Accounts Payable System (IAPS) for DFAS-DE Air Force.

Contractor Debt System (CDS)– The DMO at DFAS Columbus (DFAS-CO) performs a variety of debt management functions associated with delinquent contractor accounts receivable (receivables due from the public). The recording and reporting of contractor receivables or general ledger data are not a DMO responsibility. When the accounts receivable office or the Contract Pay Product Line refers a delinquent receivable to DMO for collection, the accounts receivable office remains accountable for maintaining the receivable subsidiaries and the general ledger balances. Thus accountability remains with the field site for public contract/vendor pay receivables. The DMO provides sufficient detail on a monthly basis for reconciliation to the detail records. Procedures for transfer of debt to the DMO are outlined in Attachment 3.

DCM – The Debt and Claims Management Office in DFAS-DE. See Defense Debt Management System.

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

Delinquent Receivables.

Public. Receivables due from a non-government entity that have not been paid by the due date specified in the written demand for payment (bill) or applicable agreement/instrument (including a post delinquency payment agreement). Other payment arrangements must be approved by the accounts receivable manager.

Intergovernmental. Receivables due from a government entity that have not been paid by the due date specified in the written demand for payment (bill) or applicable agreement/instrument, (including a post delinquency payment agreement).

DMO – Debt Management Office at DFAS-CO. See Contractor Debt System.

Entity Receivables. As defined by the Statement of Federal Financial Accounting Standards Number 1, entity receivables are amounts that a federal entity claims for payment from other federal or non-federal entities and that the federal entity is authorized by law to include in its obligation authority or to offset its expenditures and liabilities upon collection.

Elimination. All DoD reporting entities are required to report and eliminate intergovernmental account balances in their financial statements. Intergovernmental account balances are classified by category and level. The objective of eliminating intergovernmental account balances is to offset the effect of between: (A) a DoD reporting entity and other federal agencies, (B) DoD reporting entities, and (C) organizations within a DoD reporting entity. Eliminating entries shall be based on the information provided by the seller/service provider unless a waiver is obtained.

Foreign Currency Receivables. Gains or losses resulting from foreign currency receivables shall be recorded in the “Other Gains or Losses” account for the period when settlement occurs. This requirement does not supersede the accounting requirement concerning gains or losses in foreign currency transactions as set forth in 31 United States Code (U.S.C.) 3342.

Foreign Military Sales. Receivables from the Foreign Military Sales (FMS) Trust Fund (appropriation 11X8242) shall be recorded as transactions with the public and they shall be included in all financial reports as a public accounts receivable. Other FMS receivables, for example, the Foreign Military Financing Program, Grants, and Funds Appropriated to the President (11\*1082) shall be recorded and reported as intergovernmental transactions. FMS delinquent accounts receivables are not eligible for transfer to the debt management office.

Interest Receivable. Interest is accrued when an amount due is not received by the established due date. An interest receivable shall be recorded for the amount of interest income earned but not received for an accounting period. An interest receivable shall be recorded in the period earned. Interest also shall be recognized on outstanding accounts receivable against individuals and entities in accordance with Interest and Penalty Claims provisions set forth in 31 U.S.C. 3717. Until the interest payment requirement is officially waived by the government entity or the related receivable is written off, interest accrued on uncollected accounts receivable shall be

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

disclosed. Interest receivables are not an asset to the appropriation related to the accounts receivable, but an asset at the Treasury level only.

**Intergovernmental Receivables.** Intergovernmental receivables are claims of a federal entity against other federal entities.

### **Military and Civilian Pay Services**

**Systems.** The following are the primary entitlement systems covered in this CONOPS: Defense Civilian Payroll System (DCPS); Defense Joint Military Pay System (DJMS) and the Marine Corps Total Force System (MCTFS); Defense Retiree and Annuitant Pay System (DRAS); Integrated Automated Travel System (IATS); and Defense Travel System (DTS).

**Defense Debt Management System (DDMS)**-The directorate of Debt and Claims Management (DCM) at DFAS Denver (DFAS-DE) is responsible for managing individual out-of-service accounts receivable (receivables of individuals that no DoD salary available for offset). DCM performs a variety of receivable collection functions including the quarterly reporting of accounts receivable data and the monthly reporting of collections to the appropriate DFAS Department Level Accounting for input to the general ledgers.

**Monthly Debt Management Report.** Monthly accounts receivable report provided by CDS-Columbus to the field sites for inclusion in their quarterly receivable report.

**Non-appropriated Fund Instrumentalities.** Receivables from non-appropriated fund instrumentalities (NAFIs) shall be recorded as transactions with the public. They shall be included in the Treasury Report On Receivables (TROR). NAFI delinquent accounts receivable are not eligible for transfer to the Debt Management Office.

**Non-current Receivables.** Non-current accounts receivable are receivables that will not become due within 12 months following the end of the reporting period.

**Non-delinquent Receivables.** Non-delinquent accounts receivable are receivables outstanding for 30 days or less from the original bill date, or those not yet due under the terms of the contract or billing document pertaining to the receivable.

**Non-entity Receivables.** As defined by the Statement of Federal Financial Accounting Standards Number 1, non-entity receivables are amounts that the DoD collects on behalf of the other agencies of the U.S. government or other entities and that the DoD is not authorized to spend. Non-entity receivables are reported separately from receivables available to the DoD (entity receivables). Non-entity receivables include governmental receipts and collections arising from the sovereign and regulatory powers unique to the federal government, e.g., income tax receipts, customs duties, court fines, certain license fees, etc. DoD accounts receivable arising from canceled appropriations are also non-entity receivables, because collections received after an appropriation cancels are deposited in the Department of the Treasury's Account 3200, "Collections of Receivables from Canceled Accounts."

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

**Non-federal /Public Receivables.** Non-federal receivables are claims of the DoD or an entity within the federal government against non-federal entities. The term “non-federal entities” encompasses public entities, domestic and foreign persons and organizations outside the U.S. Government. Non-federal receivables are also called public receivables.

**Quarterly Receivable Report (QRR).** Monthly receivable report prepared by the field sites in accordance with DFAS-AR guidance. This report shows receivables by category and age.

**Refunds Receivable.** Refunds receivables are funds due to the DoD. Examples are: salary/travel overpayments; overpayments to commercial concerns due to duplicate and erroneous billings; incorrectly computed invoices; contract default; amounts due for items rejected or returned; and amounts of recovery due on payments for contractual services such as rent, insurance, and transportation purchased, where such contracts are canceled and adjustments are made for the unused portion.

**Reimbursements.** Reimbursements are amounts earned and collected for material sold or services furnished.

**Rescheduled Receivables.** Rescheduled receivables are receivables and advances that have been subject to rescheduling, forbearance, deferment, re-amortization, or any other form of extending the terms and/or conditions of the original payment(s) or payment due dates. Rescheduling occurs only after receipt of the initial installment under the new schedule.

**Revenue.** Revenue comes from two sources: exchange transactions and non-exchange transactions. Exchange revenues arise when a DoD entity provides goods and services to the public or to another United States (U.S.) Government entity for a price. Another term for exchange revenue is earned revenue. Non-exchange revenues arise primarily from exercise of the U.S. Government’s power to demand payments from the public, such as taxes, duties, fines and penalties.

**Travel Advances.** Travel advances become accounts receivable when either the traveler has been overpaid for official travel or the traveler fails to file the required travel claim within the required timeframes. The amount of the over-payment is an accounts receivable and shall be recorded in the accounting records. If the traveler fails to file the official travel claim within the specified timeframe as outlined in the Joint Travel Regulation (JTR) and the Joint Federal Travel Regulation (JFTR), the entire amount of the advance shall be recorded as an accounts receivable. Overdue travel advances shall be accounted for in accordance with DoD FMR, Volume 4, Chapter 5.

**Treasury Report on Receivables (TROR) –** Monthly report of receivables prepared in compliance with Department of Treasury guidance. It provides a means for collecting data on the status and condition of the total receivable portfolio owed from non-Federal sources. Full instructions for completing the TROR are located within the Treasury’s Financial Management Service website at <http://www.fms.treas.gov/debt/dmrpts.html>.

**Write-off.** Write-off occurs when an agency official determines, after using all appropriate collection tools, that it is more than 50 percent likely that a receivable is uncollectible. Active

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

collection efforts on the account cease and the account is removed from the accounts receivable. Writing off a receivable does not preclude the Department from taking advantage of offset possibilities or other means of collection, should they become available. Accounts may be written-off and maintained as an inactive receivable (“currently not collectible”) until the receivable is closed-out.

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

### **ACRONYMS**

AAA	Authorized Accounting Activity
ACRN	Accounting Classification Reference Number
ADSN	Accounting Disbursing Station Number
AFS	Audited Financial Statements
API	Application Programming Interface
APS	Annuitant Pay Subsystem
A/R	Accounts Receivable
ARO	Accounts Receivable Office
ATM	Automatic Teller Machine
BCN	Bureau Control Number
BLE	Business Line Executive
CDS-CO	Contractor Debt System - Columbus Center
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CI	Contractor Indebtedness
CNC	Currently Not Collectible
CSRS	Civil Service Retirement System
DCD	Defense Corporate Database
DCIA	Debt Collection Improvement Act of 1996
DCPS	Defense Civilian Payroll System
DCM	Debt and Claims Management – Denver Center
DD	Defense Department
DDMS	Defense Debt Management System
DDMS-DE	Defense Debt Management System - Denver Center
DFAS	Defense Finance Accounting Service
DFAS-CL	Cleveland Center
DFAS-CO	Columbus Center
DFAS-DE	Denver Center
DFAS-IN	Indianapolis Center
DFAS-KC	Kansas City Center
DJMS	Defense Joint Military Pay System
DLA	Defense Logistics Agency
DLTR	Demand Letter Tracking Report
DLTS	Demand Letter Tracking System
DMO	Debt Management Office (DFAS-CO)
DMRD	Defense Management Report Decision
DoD	Department of Defense
DoDAAC	Department of Defense Activity Address Code
DRAS	Defense Retiree and Annuitant System
DSSN	Disbursing Station Symbol Number
DTRS	Defense Transportation Payment System
DTS	Defense Travel System
EC/EDI	Electronic Commerce/Electronic Data Interchange
FACTS	Federal Agencies' Centralized Trial Balance System



## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

FASB	Financial Accounting Standards Board
FERS	Federal Employees Retirement System
FMFIA	Federal Managers Financial Integrity Act
FM	Financial Manager
FMR	Financial Management Regulation
FMS	Foreign Military Sales
FSN	Fiscal Station Number
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
IATS	Integrated Automated Travel System
ICP	Inventory Control Point
IPAC	Intergovernmental On Line Payment and Collection
ISIC	Immediate Superior In Command
JFTR	Joint Federal Travel Regulation
JTR	Joint Travel Regulation
JV	Journal Voucher
LOA	Line of Accounting
MC	Management Control
MCTFS	Marine Corps Total Force System
MDMR	Monthly Receivable Management Report
MILSBILLS	Military Standard Billing System
MILSTRIP	Military Standard Requisitioning and Issue Procedure
MIPR	Military Interdepartmental Purchase Request
MOCAS	Mechanization of Contract Administration Services
NULO	Negative Unliquidated Obligation
OA	Operating Agency
OAC	Operating Agency Code
ODO	Other Defense Offices
OMB	Office of Management and Budget
OSD	Office of the Secretary of Defense
PC	Purchase Card
PMO	Project Management Office
QRR	Quarterly Receivables Report
RCPS	Retiree Casualty Pay Subsystem
SF	Standard Form
SFFAS	Statements of Federal Financial Accounting Standards
SOMARDS	Standard Operation and Maintenance Army Research and Development System
STARS	Standard Accounting Reporting System
STP	Strategic Transition Plan
TFO	Transaction For Others
TDY	Temporary Duty
TI	Treasury Index
TIN	Taxpayer Identification Number
TROR	Treasury Report of Receivables
UMD	Unmatched Disbursement
U.S.	United States

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

U.S.C.	United States Code
USSGL	United States Government Standard General Ledger
WCF	Working Capital Fund

# **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

## **C1. CHAPTER 1**

### **GENERAL**

#### **C1.1 Scope/Purpose**

This document outlines the processes and procedures for managing Accounts Receivable. The requirements contained in this CONOPS are intended to improve the accuracy and completeness of the financial records and Audited Financial Statements (AFS) of the DoD through the prompt and accurate recognition, recording, reporting, and management of all accounts receivable. This CONOPS amplifies but does not change any of the policy and procedures contained in the DoD Financial Management Regulation (DoD FMR). Deviation from these procedures requires approval from the Accounting Business Line Executive (BLE) through the proper chain of command. Any deficiency/problem/issue identified within this CONOPS should be provided in an expeditious manner to the Accounts Receivable Point of Contact for the individual network.

#### **C1.2 Background**

Accounts Receivable are generated within the various entities of the DoD when any event occurs which causes that entity to have a claim on another entity's or individual's assets. That event includes such things as the sale of goods or services from one entity to another entity (public or governmental); duplicate, erroneous, or over-payments (refunds receivable); and interest, administrative charges, and penalties generated due on the aforementioned events.

This CONOPS will provide a basis for improved recording and reporting of Accounts Receivable, which will enable DoD to:

- (a) Comply with the Debt Collection Improvement Act (DCIA) of 1996
- (b) Comply with Treasury reporting requirements
- (c) Ensure that Accounts Receivable presented on the AFS adhere to all Generally Accepted Accounting Principles (GAAP) as required by the Chief Financial Officer (CFO) Act.
- (d) Comply with the requirements of the DoD Financial Management Regulation 7000.14-R.
- (e) Comply with Treasury reporting requirements
- (f) Ensure that Accounts Receivable presented on the AFS adhere to all Generally Accepted Accounting Principles (GAAP) as required by the Chief Financial Officer (CFO) Act.
- (g) Comply with the requirements of the DoD Financial Management Regulation 7000.14-R.

# **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

## **C2. CHAPTER 2**

### **ROLES, RESPONSIBILITIES and ACCOUNTABILITY**

#### **C2.1 DFAS – Arlington.**

Reviews and approves the DoD Consolidated Treasury Report on Receivables Due from the Public (TROR), submitted by DFAS Cleveland (DFAS-CL) on a quarterly basis. Each central site prepares a consolidated TROR based on submissions from field sites. DFAS-CL further consolidates all central site's reports for submission to DFAS-AR. In conjunction with the year-end TROR, analyzes the AFS from the central sites to ensure receivables data reported to the Department of Treasury is consistent between the two financial reports.

Prepares the consolidated DoD Quarterly Receivables Report (QRR) (Attachment 1).

#### **C2.2 DFAS Centers.**

Record and report individual pay receivables from DCPS, DJMS, MCTFS, DRAS, DTRS and DDMS. These receivables will be recorded at the summary level. Ultimately, the receivable associated with individual pay will be posted by the field site in the detailed accounting records of the client. To achieve this, systems changes will be required.

Consolidate and prepare the data for the QRR.

Reconcile the QRR to the TROR to the Audited Financial Statements (AFS) to the Federal Agencies' Centralized Trial Balance System (FACTS) quarterly. Any differences are to be disclosed and footnoted on the AFS and TROR.

Provide the necessary direction to field sites to implement this CONOPS.

#### **C2.3 Field Sites.**

Record and report all accounts receivable, to include public, intergovernmental, and duplicate and erroneous payments to contractor/vendors from MOCAS, CDS and vendor pay systems. These receivables will be recorded at the detail transaction level.

Develop desk procedures and training to implement this CONOPS.

Identify and furnish through the chain of command any systems change requirements necessary to implement this CONOPS.

Reconcile the Subsidiary Ledgers to the General Ledger Trial Balance, the QRR data, and the TROR to ensure all reports balance.

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

### **C2.4 Component Client Executives.**

Implement this CONOPS which replaces all existing accounts receivable guidance and instructions other than statutes and the FMR.

Provide the necessary training and direction to fully implement this CONOPS.

Provide a copy of the CONOPS to any accounts receivable office within the component, but not under the control and management of DFAS.

Ensure internal and management controls are established for full compliance with the requirements of this CONOPS.

Conduct periodic reviews of accounts receivable, providing results and recommendations.

Except for Cleveland field sites, certify the accuracy and completeness of QRR, TROR, and AFS. For Cleveland field sites certify the accuracy and completeness of the Accounts Receivable Single Source Submission Report (ARSSSR).

### **C2.5 Accounts Receivable Office.**

Records and maintains receivable records for all accounts receivable at the detail level, except those residing in the DCPS, DJMS, MCTFS, DRAS, DDMS and DTRS. As systems changes are implemented to allow for detail recording the above systems will be required to maintain detailed records.

Manages the receivables and monitors the disposition (collection, write-off, or adjustment).

Maintains aged subsidiary ledgers and reconciles these records to the general ledger on a monthly basis.

Reconciles the Monthly Debt Management Report (MDMR) from CDS to the general ledger balances recorded for receivables on a monthly basis.

Reconcile the MDMR to the TROR.

Reconciles the MOCAS Demand Letter Tracking System (DLTS) to the general ledger balances on a monthly basis.

Reconciles the General Ledger Trial Balance to the ARSSSR (Cleveland Network only) or the QRR and the TROR to ensure the reports are in balance.

Reports receivable data to the appropriate DFAS Departmental Level Accounting Office.

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

Transfers delinquent receivables for further collection action to DMO for commercial receivables and DCM for individual out-of-service receivables.

Establishes and tests internal controls to ensure full compliance with procedural guidance for recording, reconciling and reporting accounts receivable.

Site Directors will be accountable for signature certification of the Accounts Receivable data forwarded to the DFAS departmental level accounting office.

### **C2.6 Debt Organizations.**

The DCM at DFAS-DE:

Maintains individual out-of-service receivable records contained in the DDMS. These records will serve as the subsidiary ledgers for receivable balances provided to Departmental Level Accounting on the monthly TROR.

Prepares and issues 1099-Cs to the Internal Revenue Service for receivables equal to or greater than \$600.00 which are closed out.

The DMO at DFAS-CO:

Maintains contractor receivable records contained in the CDS. These records will provide the current status of receivable balances provided to field sites on the MDMR.

Prepares and issues 1099-Cs to the Internal Revenue Service for receivables equal to or greater than \$600.00 which are closed out.

### **C2.7 Entitlement Organizations.**

Military and Civilian Pay Services:

Sends notification (bill/demand letter) for receivables originating from the entitlement system including Travel.

Inputs salary offsets.

Provides the detail transaction data where possible to the appropriate field site; otherwise, summary level data to the appropriate DFAS Departmental Level Accounting office.

### **C2.8 Commercial Pay.**

Vendor Pay:

Sends notification (bill/demand letter) for receivables originating from the entitlement system.

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

Provides the detail transaction data to the ARO.

In coordination with the appropriate ARO, inputs offsets and notifies the ARO of the amount collected through commercial payment offsets.

### **C2.9 Contract Pay.**

Sends notification (bill/demand letter) for receivables originating from the entitlement system.

In coordination with the appropriate ARO, inputs offsets and notifies the ARO of the amount collected through commercial payment offsets.

Provides the detail transaction data where possible to the appropriate field site; otherwise, summary level data to the appropriate DFAS Departmental Level Accounting office.

# **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

## **C3. CHAPTER 3**

### **ACCOUNTS RECEIVABLE PROCESSES**

#### **C3.1 ACCOUNTS RECEIVABLE EVENTS.**

##### **C3.1.1 Sales of goods/materiel and services to the public.**

C3.1.1.1 General. Sales of goods/materiel and services relates to operations and activities involved in the sale of tangible items (goods/materiel) and the performance of reimbursable work (services). Within DoD, public accounts receivable for the sales of goods and services are monies due from public entities, domestic and foreign persons, and organizations outside the U.S. Federal Government. As a general rule, public funds should be received in advance of performing work for a public entity.

C3.1.1.2 Management of Collection Actions: Once accounts receivable have been established in the accounting records, a bill (invoice) with an established due date (usually 30 days) shall be sent to the requesting entity. Once the due date has been reached and payment has not been received, the receivable becomes delinquent. A demand letter requesting payment shall be sent to the debtor. The letter shall state any interest, administrative, and penalty charges that may apply, and will notify the debtor of all appeal rights and potential collection by offset. The ARO will determine whether delinquent bills meet DMO transfer criteria, including the requirement for the debt to be at least \$600. The \$600.00 threshold can be met by combining multiple bills to a single public entity. Bills meeting the criteria will be forwarded to the DMO not later than 91days aged, but as soon as collection by the ARO appears to be doubtful. When the sale is to a commercial vendor with whom we have a contractual agreement, processes will be stated in the contractual document. If the sale is not one covered by a contractual document, then the demand for payment must disclose all due process requirements as outlined in Comply with the Debt Collection Improvement Act (DCIA) of 1996

C3.1.1.3 Aged Receivables: Aging allows for the management of collection actions. The aging of the accounts receivable will be based on the actual date of the original bill. All efforts to collect the aged accounts receivable must occur within two years of the actual bill date. Once all efforts to collect are exhausted, the ARO will coordinate write-off of the receivable with the DMO and/or the funds holder. Recommended debt collection letters are detailed in Attachment 4.

C3.1.1.4 Recording Collections. Accounts Receivables shall be recorded as soon as the debt has been identified. The identifying organization will submit the appropriate documentation to the ARO. The ARO will record the accounts receivable within their accounting records. The recording of the collections within the accounting records will liquidate the outstanding accounts receivable.

C3.1.1.5 Adjusting/Correcting/Disputed Billings. Adjustments, corrections, and disputed bills will be handled within the entitlement organization that issued the original bill. Upon resolution, the supporting documentation will be forwarded to the ARO as necessary.



## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

C3.1.1.6 Commercial Pay Services Business Line: Upon identification of an erroneous/overpayment, contract and vendor pay personnel will issue the demand letter which fulfills all due process requirements (Attachment 4). The entitlement office sends a copy of the demand letter to accounting to record the receivable. Upon recognition of and verification of the overpayment, the field site will, based on existing procedures with fund holders, obligate the overpayment amount by a charge to the allotment.

The contract/vendor system disbursements are inherently detail transaction driven and will pass detail transaction information to the ARO.

On day 31, the ARO will notify the vendor pay office of any receivable for which repayment has not been received to initiate offset for the overpayments. The contract pay office will initiate the offset.

Contract Pay will provide at its web site, a monthly report for each ARO on the status of the MOCAS (Attachment 3) receivables until they are either collected or transferred to the DMO. The ARO will reconcile this report to the accounts receivable general ledger.

Contract Pay (MOCAS debts) and the ARO (Vendor Pay debts) will refer uncollected receivables to the DMO no later than 91 days from the original date of the bill.

The DMO will acknowledge receipt of the debt referral and provide the Monthly Debt Management Report (MDMR) from CDS to the ARO via e-mail. These reports will be provided until the debt is resolved. The ARO will reconcile the MDMR to the accounts receivable general ledger. The field site will retain the receivable until a collection or write-off occurs.

C3.1.1.7 Military and Civilian Pay Services Business Line: These debts derive from Military Pay, Civilian Pay, Travel Pay Systems, Transportation Pay and other non-payroll debts for both in-service and out-of-service individuals. These debts include overpayment of pay and allowances, overpayment of travel pay, damage to government property, loss of funds and excess weight on household goods shipments.

Military and Civilian Pay overpayments will be input directly into the appropriate pay system and reported to departmental accounting at end of month. Adjustments are being made to the pay systems to allow transactions to pass to the accounting records at the detail level.

For Non-Salary Civilian debts, the originating activity that determines a debt is owed will generate the original notification to the debtor, complete and send DD Form 2481 (Request for Recovery of Debt Due the United States by Salary Offset) to the servicing accounting activity (do not forward to DCPS).

For non-salary civilian or military debts where the entitlement office is not co-located with the accounting office responsible for setting up the receivable, the debt collection package will be forwarded to the on-site ARO. The ARO will forward the package to the accounting office

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

responsible for maintaining the accounts receivable records. An example of this would be where the travel office is not co-located with the Accounting Office.

The accounting activity will verify accounting information and document number, establish a receivable and forward the DD Form 2481 to the DCPS Payroll office. The accounting activity will work with the originating activity to correct all inaccurate information before sending DD Forms 2481 to the DCPS Payroll office. DCPS Payroll will not accept the DD Forms 2481 from any activity other than the accounting activity. At a minimum, the ARO shall:

1. Verify the appropriation data for accuracy
2. Ensure document is signed by issuing officer
3. Ensure document contains individual's social security number, name and address
4. Validate the document cites proper Payroll Office and fax number
5. Maintain the 2481 in the ARO until the payment due date
6. Maintain control log of documents forwarded to the Payroll Office
7. Forward to Payroll Office
8. Maintain copy

For non-salary overpayments to military personnel of travel, transportation and other miscellaneous debts, the originating activity that determines a debt is owed will generate the original notification to the debtor, complete and send the DD139 to the military pay office. If the organization or the field site has access to input directly into the military pay system, input to collect from pay. If no access is available, forward to the servicing military pay office for input to offset salary. The Military Pay system will forward to departmental accounting at month end for input to the accounting system.

When a debt is discovered after a military member has separated from service, the originating activity will prepare the original debt notification to the debtor and forward the DD139 and supporting documentation to the military pay office. Military Pay will input the debt, if possible, or forward to the DCM.

When a debt is discovered after a civilian member has separated from service, the ARO will send the DD2481 and supporting documentation to DCM. Any DD Form 2481 forwarded to DCPS after separation will be returned to the originating office. If the debtor has debt remaining, DCPS will notify the ARO of the remaining balance due.

All detail accounts receivable that are referred to DCM must be written off the accounting records of the ARO upon notification of acceptance by DCM. Thus accountability for individual public debt transfers to DCM upon their acceptance of the debt.

### **C3.1.1.8 Reconciliations.**

#### **Reconciliation of Commercial Pay Accounts Receivable Debts**

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

The accounts receivables in MOCAS and CDS must be managed by all parties within the DFAS network. Any accounts receivable on these reports must be recorded in the appropriate accounting system.

The AROs will perform a monthly reconciliation using the MOCAS DLTR posted on the web at <http://dfas4dod@dfas.mil>.

The ARO will perform a monthly reconciliation using the CDS MDMR. The MDMR will be emailed to each ARO.

### **C3.1.1.9 Allowance for Doubtful Accounts.**

The accounting office in coordination with the Fund Holder shall establish an allowance for doubtful accounts receivable, which shall provide for reducing gross receivables by the amount of the estimated loss to their net realizable value. The methodology for estimating an allowance for doubtful accounts should be based on DoD FMR Vol. 4, Chap. 3, Annex 1. Once an amount has been determined for a fund holder, that fund holder must provide the necessary funding needed (obligational authority) for this allowance account. The Statements of Federal Financial Accounting Standards (SFFAS) No. 1 (Appendix 4) states that recognition of losses on receivables should be recognized when it is more likely than not that the receivables will not be totally collected; the phrase “more likely than not” means more than a 50 percent chance of loss occurrence. The allowance for uncollectible amounts should be re-estimated on each annual financial reporting date when information indicates that the latest estimate is no longer correct. A provision to increase or decrease the allowance will result in an adjustment of non-exchange revenue (appropriation provided), rather than a bad debt expense for general fund activities.

### **C3.1.1.10 Write Off and Close-Out of Public Receivables.**

General provisions for the collection, write-off and close-out of public accounts receivable are established in Office of Management and Budget (OMB) Circular A-129, “Policies for Federal Credit Programs and Non-Tax Receivables.”

**C3.1.1.11 Write-off.** Write-off of an accounts receivable occurs when an agency official determines, after using all appropriate collection tools, that it is more than 50 percent likely that a receivable is uncollectible. Active collection efforts on the receivable cease and the receivable is then removed from the receivable account. Writing off a receivable does not preclude the Department from taking advantage of offset possibilities or other means of collection, should they become available. Once the receivable is written-off, it must either be classified in a new reporting category entitled “currently not collectible” (CNC) or closed-out. Receivables in CNC status are reported on the TROR and are eligible for both offset and cross servicing. Public receivables that are closed-out are no longer available for further collection activity.

**C3.1.1.12 Currently Not Collectible:** Public receivables shall be classified as CNC only if: (1) the contractor/vendor receivable is over \$600 or the individual out-of-service receivable is over \$225, (2) all collection actions by ARO have been pursued, (3) it is not cost effective to continue collection efforts, and (4) the receivable is less than two years old. CNC receivables shall be

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

continuously reviewed and, as required, reclassified and closed-out. The Treasury Financial Management supplement entitled “Managing Federal Receivables” states that an agency shall consider a receivable uncollectible, write-off the receivable, and terminate active collection action when one or more of the following five criteria apply:

- a. The receivable is erroneous or otherwise without merit;
- b. The receivable cannot be substantiated;
- c. Collection action will probably exceed the amount that could be recovered;
- d. The ARO is unable to locate the debtor and finds that either (1) there is no security to be liquidated to recover the amount owed, or (2) the statute of limitations has expired and the chances of collecting the receivable are minimal;
- e. The ARO is unable to collect any substantial amount.

When a debtor has filed a petition for bankruptcy, collection action on the debt is usually suspended. This does not mean write-off, although write-off can be used if DFAS does not think there is any likelihood of recovery. If DFAS writes off debts where the debtor has filed for bankruptcy but the debt has not been discharged, categorize the debt as CNC. Re-evaluate when the bankruptcy is resolved. If the debt survives the bankruptcy, continue collection efforts. If the debt is discharged, it should be closed out.

C3.1.1.13 Close-Out: Close-out of a receivable occurs when an agency, after determining that additional future collection efforts on a receivable would be futile, reports the amount of the receivable to the Internal Revenue Service as income to the debtor on Form 1099-C, “Cancellation of Receivable.” Close-out may occur concurrently with the write-off of a receivable, or at a later date, depending on the collection strategy and the ultimate determination that the receivable has been discharged. No additional collection action may be taken after close-out. Close-out is mandatory for public delinquent receivables that have not been collected within two years of the original bill date.

### C3.1.1.14 Contractor/Vendor Receivables <\$600 and Individual Out-of-Service Receivables <\$225.

Close-out of accounts receivable shall be accomplished no later than two years after the date of the bill. Public contractor/vendor receivable less than \$600 and individual out-of-service receivable less than \$225 shall be collected or written off. This receivable shall not be referred for further collection action unless mandated by public law. The accumulated research documentation shall support the requirement to write off uncollectible public receivable.

No later than 90 days after the bill date, the ARO shall immediately provide all documentation to the fund holder for concurrence or non-concurrence for write-off. The fund holder shall respond within 60 days of request for write-off. If a response is not received within 60 days, then the receivable shall be written off and entered into the small debts database. (DFAS plans to establish a

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

small debts database for input from all customers. Debts that accumulated to an amount that can be pursued will then be transferred to the appropriate debt collection organization.)

If non-concurring, the fund holder shall provide the ARO additional written evidence to enable further collection efforts of the accounts receivable. The ARO shall only make one additional attempt to collect (i.e., issue one additional demand letter). If payment is not received, then the accounts receivable shall be written off, but no later than 180 days after the original bill date. The delinquent accounts receivable shall be obligated (if not already obligated) in the appropriation that created the accounts receivable. No later than 2 years after the bill date, the accounts receivable shall be closed-out.

### **C3.1.1.15 Contractor/Vendor Receivables <\$600 and Individual Out-of-Service Receivables >\$225.**

Public accounts receivable \$600 or greater due from contractor/vendors shall be referred to DMO and individual out-of-service accounts receivable of \$225 or greater shall be referred to DCM for further collection actions. For contractor/vendor accounts receivable, refer the accounts receivable no later than 90 days after the bill date. For individual out-of-service accounts receivable, refer the accounts receivable upon completion of all required local accounts receivable billing and follow-up action.

The DMO and the DCM shall submit delinquent public accounts receivable to the Department of the Treasury no later than 180 days after the original bill date, unless exempted by statute or law. The Department of the Treasury, after due process, shall return uncollectible public accounts receivable to the DMO and the DCM. The ARO, upon notification from DMO to write-off the accounts receivable, shall provide the history of all research and accounts receivable collection efforts to the funds holder. Once the funds holder approves the write-off, the ARO shall obligate (if not already obligated) in the appropriation that created the accounts receivable. No later than two years after the bill date, the accounts receivable shall be closed-out.

Public receivables \$100,000 or greater not collected by the Department of the Treasury shall be submitted to the Department of Justice by the DMO or the DCM. The DMO will notify the ARO of the submission.

### **C3.1.2 Intergovernmental Accounts Receivable.**

C3.1.2.1 General. Receivables due from DoD Components or other federal entities are intergovernmental receivables, and should be so identified and reported separately from receivables due from public entities.

C3.1.2.2 Accounting for Reimbursable Work. The performer's ARO shall receive a copy of the accepted order, such as a Department of Defense (DD) Form 448, "Military Interdepartmental Purchase Request (MIPR)." The amount of the order shall be recorded as an unfilled customer order.

Upon receipt of the documentation showing that goods or services were provided and revenue was earned, record a receivable at the detail transaction level and generate a bill to submit to the

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

customer. The unfilled customer order will be reduced and a filled customer order uncollected will be recorded. If an abnormal balance results from reducing the unfilled customer order, research the abnormal balance.

C3.1.2.3 Management of Collection Actions. Accounts receivable shall be aged. Aging allows for the management of collection actions. If systems permit, bills arising from transactions within the DoD or other federal departments or agencies shall be collected through automated or regularly established self-collection methods, such as the Military Standard Billing System (MILSBILLS) interfund billing procedures, Treasury's Intergovernmental Payment and Collecting (IPAC) system, and intergovernmental charge card methods. When automated collection procedures cannot be used, the Voucher for Transfer between Appropriations and/or Funds, Standard Form (SF) 1080, will be used as the collection document. Remittance by check from federal agencies shall be used as a last resort.

C3.1.2.4 Recording Collections. Voucher for Transfer Between Appropriations and/or Funds (SF1080 bills), automated or manual, shall be processed through the Treasury registration process. The recording of the collection register within the accounting records will liquidate the outstanding accounts receivable.

C3.1.2.5 Adjusting and Correcting Billings. Billing and collection processes shall provide a means for adjusting and correcting billings; these include acceptance of a bill, adjustment of a bill, and rejection of a bill. The accounts receivable office shall research such requests for adjustments or rejects.

If the bill is rejected, review the basis for rejection. Such review and subsequent correction shall be completed within the accounting cycle the error was discovered.

If there is evidence of an incorrect billing, process a credit to clear the suspense or difference within the current accounting cycle, and if proper, the receivable shall be reestablished for a correct or revised amount.

If the billing is subsequently determined to be correct, the receivable is reestablished, and the ordering entity shall be contacted and requested to accept the billing based on evidence provided.

If a receivable is reestablished or adjusted, the customer and fund holder shall be informed.

The ARO shall inform the funds holder of the circumstances of any delinquent accounts receivable.

C3.1.2.6 Disputed Billings. The ordering entity (customer) shall inform the performer's accounts receivable office (billing office) of its intent to dispute a bill. The intent to dispute shall be established within 30 days of receipt of a bill.

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

The ordering entity shall request the disputed bill's supporting documentation before rejecting the bill. A bill shall be rejected if the requested supporting documentation is not provided within 30 days, or when the ordering entity obtains proof of incorrect billing. The ordering entity shall provide the performer's accounts receivable office a clear explanation for rejecting the bill.

The Office of the Secretary of Defense (OSD) has determined that a transportation bill may not be rejected. These bills should be disputed with the applicable Transportation Component Command. For intergovernmental transportation bills, the performer's accounting office charges the customer's line of accounting if one is available. If one is not available, the performer's accounting office will charge a default line of accounting.

Once an intergovernmental accounts receivable for wholesale stock fund transactions has been established, a bill (invoice) with an established due date (usually 30 days) shall be sent to the requesting entity. Once the due date has been reached and payment has not been received, the receivable becomes delinquent. A demand letter requesting payment shall be sent to the debtor.

### **C3.1.2.7 Adjusting and Correction Accounts Receivable.**

The ARO and the fund holder are responsible for managing intergovernmental receivables. Intergovernmental receivables cannot be reduced, i.e., an allowance for doubtful accounts is not allowed for federal government entities. Additionally, intergovernmental receivables cannot be transferred to a receivable collection activity.

The full settlement of intergovernmental accounts receivable shall take no longer than two years. Accounts receivable shall be adjusted or corrected only after research has been accomplished and the intergovernmental accounts receivable is determined to be invalid.

The DoD FMR Volume 4, Chapter 3, paragraph 030907 contains policy for disputed bills. The following is an amplification of these policies.

The ordering entity shall provide the performer's ARO with a letter showing cause for nonpayment not later than 30 days after the date of the bill. The only valid causes for disputed billings shall be lack of supporting documentation or authority to bill, non-receipt of goods or services, or duplicate billing.

The program manager (performer) is required to supply the ARO with the supporting documentation for the billing. If requested, the performer's ARO shall provide the ordering entity a copy of the bill and the supporting documentation.

If the ordering entity does not provide a letter showing the cause for non-payment within 30 days of the bill date, the performer's accounting office shall charge the ordering entity and the ordering entity shall accept the charge.

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

If the ordering entity provides a letter showing valid cause for non-payment, the performer's accounting office shall adjust/correct the receivable by reversing the receivable entries.

For receivables of \$2,500 or less, if the ordering entity provides a letter but the causes for non-payment are invalid, the performer's accounting office shall charge the ordering entity and the ordering entity shall accept the charge. For intergovernmental transportation bills, the performer's accounting office charges the customer's line of accounting if one is available. If one is not available, the performer's accounting office will charge a default line of accounting.

If the ordering entity provides a letter showing cause for non-payment on an accounts receivable greater than or equal to \$2500, the performing ARO can proceed with alternative action. The ARO shall provide the ordering entity's immediate superior in command (ISIC) or designee with a history of all the research, collection efforts, and the ordering entity's letter showing cause for non-payment. The ARO shall seek concurrence to collect the receivable no later than 30 days after receipt of the ordering entity letter. The ISIC shall review the request to collect and shall concur or non-concur within 30 days of request.

If no response is received within 30 days, the performer's accounting office shall charge the ordering entity and the ordering entity shall accept the charge.

When performer's ARO receives concurrence to charge the ordering entity; the ordering entity shall accept the charge.

If non-concurring, the ordering entity's ISIC shall provide the ARO written cause for nonpayment. The ARO shall provide the ordering entity's ISIC's non-concurrence to the performer's fund holder/ISIC and request concurrence to adjust/correct the accounts receivable or elevate the collection.

If concurrence or no response is received within 60 days, the performer's ARO shall adjust/correct the accounts receivable.

If the performer's ISIC non-concurs, the ARO shall provide, within 30 days, the ordering entity's and performer's ISIC's non-concurrences to the next level of command for review.

The next level of command shall review the bill's supporting documentation, history of research, and letters provided to the ARO and shall provide a final ruling no later than two years after the original bill date. The ruling shall either provide the ARO authority to charge the ordering entity or authority to adjust/correct the receivable.

C3.1.2.8 Intergovernmental Accounts Receivable outside the DoD. Disputes between governmental agencies, for example, between the DoD and the General Services Administration, shall be forwarded to the performer's Component Comptroller or designee for review. The ARO shall forward disputed accounts receivable to the performer's Component Comptroller only after appropriate research and collection actions have been performed.



## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

### **C3.1.2.9 Disputed Billings.**

For disputed delinquent accounts receivable, no later than 30 days after date of notification of dispute, the performer's ARO shall forward the bill to the performer's Component Comptroller or designee for review.

No later than 60 days after the date of notification of dispute, the performer's Component Comptroller shall provide the ARO its concurrence or non-concurrence to adjust/correct the receivable.

If non-concurring, the performer's Component Comptroller shall forward the bill, with supporting documentation and research, to the billed agency with a request for payment. If the billed agency does not submit payment within 90 days of the notification date of dispute, the performer's Component Comptroller shall forward the bill to the higher authority, for resolution.

The higher authority will evaluate the supportability of the bill within 180 days. If supportable, the higher authority will request payment from the other federal agency. If unsupported, the higher authority will advise the performer's Component Comptroller to adjust/correct the accounts receivable balance.

If the other federal agency does not respond to the higher authority's request for payment, the accounting office shall adjust/correct the delinquent accounts receivable no later than 2 years after the date of the bill.

### **C3.1.2.10 Wholesale Materiel.**

The sale of wholesale materiel to intergovernmental entities results in accounts receivable categorized between DoD and non-DoD.

The aging of the accounts receivable will be based on the actual date of the bill. The ARO will coordinate adjustment of the receivable with the funds holder when all efforts to collect the debt have been taken, but not later than two years aged from the date of the bill.

The process begins with a customer requisition submitted through Military Standard Requisitioning and Issue Procedure (MILSTRIP). Inventory Management at the Inventory Control Point (ICP) determines the method of filling the order, whether as an issue from inventory or direct vendor delivery. The accounts receivable are generally created by either a drop from inventory or recording an expenditure for direct vendor delivery.

Accounts receivable may be unbilled due to a cut-off prior to the billing cycle, unconfirmed shipments for Foreign Military Sales and/or the bill cannot be transmitted due to insufficient address. The ARO will forward the lists of unbilled/unaddressable and unbilled/unconfirmed shipments to the ICP and request immediate action. The Inventory Control Point will coordinate as necessary to obtain the confirmation of shipment for the Foreign Military Sales or with the Department of Defense Activity Address Code (DoDAAC) administrator to obtain a good billing address.

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

The bills are generated from a standard automated billing system that can be run on demand or at pre-selected dates. The bills are issued in various forms: electronic, SF-1080s, and interfund. As a general rule, interfund billings should be the process used for all inter-DoD transactions. Non-DoD bills are distributed via electronic or hard copy mailings. Hard copy bills are required to be mailed by the close of business within two days of the bill's generation.

C3.1.2.11 Recording Collections. SF 1080 bills, automated or manual, shall credit individual receivables as paid. The SF 1080 document shall be dated for reporting in the Treasury's Statement of Transactions in the same month the collection was recorded in the accounting system.

If systems permit, bills arising from transactions within the DoD or other federal departments or agencies shall be collected through automated or regularly established self-collection methods, such as the Military Standard Billing System (MILSBILLS) interfund billing procedures, Treasury's Intergovernmental Payment and Collection (IPAC) system, and intergovernmental charge card methods. When automated collection procedures cannot be used, the Voucher for Transfer between Appropriations and/or Funds, Standard Form (SF) 1080, will be used as the collection document. Remittance by check from federal agencies shall be used as a last resort. The interfund billing cycle will process collections to the accounting records and Treasury reporting. The reported amount and the accounting amount shall occur in the same month and will be reconciled.

The seller will submit one demand letter when the original bill reaches 31 days old. The ARO will elevate the unpaid bill, after 61 days from the date of the original bill, to the buyer's Component Comptroller.

Adjusting and Correcting Billings. Billing and collection processes shall provide a means for adjusting and correcting billings; these means include acceptance of a bill and adjustment of a bill. The ARO shall research such requests for adjustments.

If there is evidence of an incorrect billing, process a credit to the current month's bill to clear the discrepancy or difference from the previous month's bill. Material-related discrepancies should be paid in full on the monthly bill and resolved through the Report of Discrepancy process with the supply center.

# **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

## **C4. CHAPTER 4**

### **GENERAL LEDGER ENTRY REQUIREMENTS FOR WORKING CAPITAL FUND (WCF)** **PUBLIC RECEIVABLES**

#### **C4.1 Introduction**

The accounting entries are presented in a format from which a logical progression to the next step can be anticipated.

For purposes of clarity, accounting entries will be separated for contract/vendor systems and pay systems.

Budgetary entries will be separated from proprietary entries.

The following entries will be required based on the United States Government Standard General Ledger (USSGL), Chart of Accounts. We used the USSGL accounts for demonstration purposes, while recognizing that each Center uses assorted account structures to accommodate their recording requirements. Keep this in mind as you apply this section of the CONOPS to your recording requirements.

#### **C4.2 Contractor Pay.**

##### **Scenario I**

An overpayment is made by MOCAS and the disbursement is received by the field site. Before it is discovered that an overpayment has been made the below entry would be posted to record the disbursement. The entries assume that a matching accounts payable and obligation is not initially found.

TC B110

Budgetary:

DR 4901 Delivered Orders - Obligations – Unpaid

CR 4902 Delivered Orders - Obligations – Paid

Proprietary:

DR 2110 Accounts Payable - undistributed

CR 1010 Funds Disbursed

The following entries are made by the field site to record discovered MOCAS erroneous/over-payments without previous corresponding obligation. This entry will reestablish accounts payable that was incorrectly liquidated and to establish a refund receivable. A public refund receivable should not be recorded as a budgetary entry until the monies are collected. This is going to cause a disconnect between budgetary and proprietary:

TC B204, B302 & C212

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

### **Budgetary Accounts:**

DR 4610 Allotment Realized Resources  
CR 4901 Delivered Orders - Obligations – Unpaid Undistributed

### **Proprietary Accounts:**

Dr 1310 – Accounts Receivable – Refund Receivable  
Dr 6100 Operating Expenses/Program Costs  
Cr 2110 Accounts Payable – Undistributed  
Cr 6790 Other Expenses Not Requiring Budgetary Resources

To record repayment by the debtor or by offset:

TC C138 & C136

### **Budgetary Accounts:**

Dr 4902 Delivered Orders - Obligations – Paid  
(For Obligations incurred in Prior Year)  
Dr 4972 Downward Adjustments of Prior Year Paid Delivered Orders – Obligations,  
Refunds Collected  
Cr 4610 - Allotments - Realized Resources  
If expired year General Fund Only  
Cr 4650 Allotments – Expired Authority

### **Proprietary Accounts:**

Dr 1010 – Fund Balance With Treasury – Disbursements  
Dr 6790 Other Expenses Not Requiring Budgetary Resources  
Cr 1310 –Refunds Receivable – Refund Receivable (contract/vendor overpayments)  
Cr 6100 Operating Expenses/Program Costs

And if appropriated funds:

TC B134

### **General Fund only**

Dr 5700 - Expended Appropriations  
Cr 3107 - Unexpended Appropriations - Used

## **Scenario II**

The below entries would have been made by the field site to establish an erroneous obligation and accounts payable resulting in erroneous/over-payments by MOCAS.

TC B204

### **Budgetary Accounts:**

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

Dr 4610 Allotment – Realized Resources

Dr. 4801 Undelivered Orders – Obligations, Unpaid

### No Proprietary Entry

Upon receipt of goods/services:

TC B302

### Budgetary Accounts:

Dr 4801 Undelivered Orders – Obligations, Unpaid

Cr. 4901 Delivered Orders - Obligations – Unpaid

### Proprietary Entry:

Dr 6100 Operating Expenses/Program Costs

Or for capitalized assets

Dr XXXX Appropriate asset account

Cr 2110 Accounts Payable

### Proprietary Accounts: (General Fund)

TC B134

Dr 3107 - Unexpended Appropriations - Used

Cr 5700 - Expended Appropriations

The following entries are made by the field site to record MOCAS payments when erroneous obligations and account payable were established:

TC B110

### Budgetary Accounts:

Dr 4901 – Delivered Orders - Obligations – Unpaid

Cr 4902 – Delivered Orders - Obligations – Paid

### Proprietary Accounts:

2110 Accounts Payable

Cr 1010– Fund Balance With Treasury

When the erroneous/over-payments are discovered the below entry is made to record the refund receivable:

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

TC C212

No Budgetary Entry:

Proprietary Accounts:

Dr 1310 Accounts Receivable – Refund Receivable

Cr 6790 Other Expenses Not Requiring Budgetary Resources

To record repayment by the debtor:

TC C138 & C136

Budgetary Accounts:

Dr 4902 – Delivered Orders - Obligations – Paid

(For Obligations incurred in Prior Year)

Dr 4972 Downward Adjustments of Prior Year Paid Delivered Orders – Obligations,  
Refunds Collected

Cr 4610 - Allotments - Realized Resources

If expired year General Fund Only

Cr 4650 Allotments – Expired Authority

Proprietary Accounts:

Dr 1010 – Fund Balance With Treasury - Disbursements

Dr 6790 Other Expenses Not Requiring Budgetary Resources

Cr 1310 – Accounts Receivables – Refund Receivable (contract/vendor  
overpayments)

Cr 6100 Operating Expenses/Program Costs

And if appropriated funds:

TC B134

General Fund - GF

Dr 5700 - Expended Appropriations

Cr 3107 - Unexpended Appropriations - Used

### **C4.3 Payroll Systems (DJMS, DCPS, MCTFS and DRAS) and Individual Out-of-Service Receivable System (DDMS-DE).**

The pay systems and the pay receivable system recognition of receivable and subsequent posting of the accounts receivable is handled differently. The bi-weekly or monthly pay is accrued and expensed in full. Subsequently, collections for receivables are part of the net disbursement value recorded at the accounting station. Therefore, for General Fund appropriations the establishment of the accounts receivable at the Center will be based on the monthly TROR submitted by the pay systems and the pay receivable system. For WCF appropriations the

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

establishment of the accounts receivable at the Center will be based on files received from DCPS and DDMS. The following entries will be required:

### **C4.3.1 Accounting Operations Records Pay System Over Disbursement.**

(These entries are embedded in the payroll expenditure, and are shown here for illustration purposes)

TC B107

#### **Budgetary Accounts:**

Dr 4610 - Allotments - Realized Resources

Cr 4902 - Delivered Orders - Obligations – Paid

#### **Proprietary Accounts:**

Dr 6100 – Operating Expenses / Program Costs

Cr 1010 – Fund Balance With Treasury

If appropriated funds

TC B134

#### **General Fund Only**

Dr 3107 - Unexpended Appropriations -Used

Cr 5700 - Expended Appropriations

Recording of the receivable at the Central Site (Financial statement presentation entry when Field level general ledger data does not include refund receivable data for overpayments/debts):

TC C212

#### **General Fund Only**

#### **Current TROR ending balances before write off:**

Dr 1310 – Accounts Receivables- (Refunds Receivable)

Cr 6790 - Other Expenses Not Requiring Budgetary Resources

#### **Reversal of prior TROR ending balances before write off:**

Dr 6790 - Other Expenses Not Requiring Budgetary Resources

Cr 1310 – Accounts Receivable - (Refunds Receivable)

TC C212

**WCF ONLY** Field site data deemed appropriate/not posted at Field level from Payroll and Debt Management systems such as DCPS.

#### **Files received from DCPS:**

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

DR 1310 Accounts Receivables – (Refunds Receivable)  
CR 6790 Other Expenses Not Requiring Budgetary Resources

### Reversal of prior Payroll and Debt Management receivable:

DR 6790 Other Expenses Not Requiring Budgetary Resources  
CR 1310 Account Receivables – (Refunds Receivable)

C4.3.2 Accounting Operations Records Collection Through the Pay System. (These entries are embedded in the payroll expenditure, and are shown here for illustration purposes).

TC C134

#### Proprietary Accounts:

Dr 1010 – Fund Balance With Treasury  
Cr – 6100 – Operating Expenses/Program Cost

And if appropriated funds

TC B134R

#### General Fund Only

Dr 5700 - Expended Appropriations  
Cr 3100 - Unexpended Appropriations - Cumulative

#### Budgetary Accounts:

Dr 4902 - Delivered Orders - Obligations – Paid  
Cr 4610 - Allotments - Realized Resources

C4.3.3 Record Intragovernmental Payment Collection Systems (IPAC) Collections from DDMS-DE.

When the refund was not previously recorded as a receivable.

TC C134 & C136

#### Proprietary Accounts:

Dr 1010 – Funds Balance With Treasury  
Cr 6100 – Operating Expenses/Program Cost (receivable pay system)

#### Budgetary Accounts:

Collected in the same FY the overpayment was recorded:

Dr 4902 – Delivered Orders - Obligations – Paid  
(For Obligations incurred in Prior Year)  
Dr 4972 Downward Adjustments of Prior Year Paid Delivered Orders – Obligations,  
Refunds Collected



## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

Cr 4610 - Allotments - Realized Resources

If expired year General Fund Only

Cr 4650 Allotments – Expired Authority

-Or--

When the refund was previously posted as a receivable

TC C136 & C138

Proprietary Accounts:

Dr 1010 – Fund Balance With Treasury

Cr 1310 – Account Receivables (Refunds Receivables)

Dr 6790 – Other Expenses not requiring budgetary resources.

Cr 6100 – Operating Expenses / Program Costs

Budgetary Accounts:

Dr 4902 – Delivered Orders - Obligations – Paid

(For Obligations incurred in Prior Year)

Dr 4972 Downward Adjustments of Prior Year Paid Delivered Orders – Obligations,  
Refunds Collected

Cr 4610 - Allotments - Realized Resources

If expired year General Fund Only

Cr 4650 Allotments – Expired Authority

### **C4.3.4 Interest, Penalties, Fines and Administrative Fees.**

The Treasury appropriations for interest, penalties, fines and administrative fees receivable will be reported separately from the principal on the MDMR and the TROR. Field sites will record the receivable for interest, penalties, fines and administrative fees from the MDMR. The Field Level Activities will record the collections of the interest, penalties, fines, and administrative fees from the collection column of the MDMR. The entries are required to present the revenue in the financial statements that was actually collected on behalf of the Treasury as a non-entity asset with a corresponding liability.

To record the accrual of interest, penalties, fines and administrative fees receivable, and the collection of interest revenue, penalties, fines and administrative fees:

### **C4.3.5 Accrual of Interest, Penalties, Fines and Administrative Fees.**

Current month ending balances before write off:

TC C216

Dr 1340 – Interest Receivable

Dr 1360 – Penalties, Fines and Administrative Fees Receivable

Cr 5310 – Interest Revenue

Cr 5320 – Penalties, Fines and Administrative Fees Revenue

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

Dr 5991 – Accrued Collections for Others  
Cr 2980 – Custodial Liability

Reversal of prior month ending balances before write off:

TC C216R

Dr 5310 – Interest Revenue

Dr 5320 – Penalties, Fines and Administrative Fees Revenue

Cr 1340 – Interest Receivable

Cr 1360 – Penalties, Fines and Administrative Fees Receivable

Dr 2980 – Custodial Liability

Cr 5991 – Accrued Collections for Others

### **C4.3.6 Collections for Interest, Penalties, Fines and Administrative Fees.**

Current month interest and penalty/admin columns:

To record the collection of cash from DCAS which can not be identified to an Accounts Receivable, interest receivable or penalties fines and administrative fees receivable.

Proprietary Accounts:

Dr 1010 Fund Balance With Treasury – Collections

Cr 1310 Accounts Receivable – Undistributed

Budgetary Accounts:

No direct TFM reference. Recommend submission of request to Treasury for inclusion of transaction. The above transaction will result in a disconnect between the current year cash reported on the AR(M) 1307 and AFS Balance Sheet and the cash reported on the SF133 and the SBR.

When the cash collection is posted to the general ledger it will most likely not be identified to a collection of interest, administrative fees, or penalties fines. Therefore an entry is required to move the accounts receivable undistributed to relieve the appropriate receivable accounts. The below entry is required to effect this move.

TC C186R & C142

Proprietary Accounts:

Dr 1310 Accounts Receivable undistributed

Cr 1340 Interest Receivable

Cr 1360 Penalties, Fines and Administrative Fees Receivable

Dr 5990 – Collection for Others

Cr 5310 – Interest Revenue

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

Cr 5320 – Penalties, Fines and Administrative Fees Revenue  
Cr 2980 Custodial Liability

### **Budgetary Accounts:**

No direct TFM reference. Recommend submission of request to Treasury for inclusion of transaction. The above transaction will result in a disconnect between the current year cash reported on the AR(M) 1307 and AFS Balance Sheet and the cash reported on the SF133 and the SBR.

### **Reversal of prior month interest and penalty/admin columns:**

TC C109 & C142R  
Dr 1340 Interest Receivable  
Dr 1360 Penalties, Fines and Administrative Fees Receivable  
Cr 1310 Accounts Receivable undistributed

Dr 2980 Custodial Liability  
Dr 5310 – Interest Revenue  
Dr 5320 – Penalties, Fines and Administrative Fees Revenue  
Cr 5990 – Collection for Others

The proper forms need to be prepared to transfer these funds to Treasury before year end.

### **C4.3.7 Establishment of the Allowance For Doubtful Accounts and Write-Offs.**

There are certain accounting transactions we must address to ensure consistency through the reporting process. The bad debt expense and the allowance for loss on receivables must be coordinated between the field site and Departmental Level Accounting for contract/vendor system and Contract Debt System receivables.

Coordination with the fund holder in establishing the proper amount for allowances will be controlled at the field site. The following accounting entries will be required to establish the allowance for doubtful accounts. An allowance for uncollectible accounts receivable due from the public shall be estimated and recorded.

### **Allowance for Doubtful Accounts:**

TC D214  
Dr 6720 – Bad Debt Expense  
Cr 1319 – Allowance for Loss on Accounts Receivable  
Cr 1349 – Allowance for Loss on Interest Receivable  
Cr 1369 – Allowance for Penalties and Administrative Fees Receivable

The following entry is only for interest, penalties, and administrative fees for non-entity receivables:

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

Dr 2980 – Custodial Liability

Cr 6190 – Contra Bad Debt Expense – Incurred for Others

### **Contractor Receivable Write-Offs:**

When a receivable has been deemed uncollectible by the DMO, the notification of collection termination will be provided to the individual field sites. The field site will coordinate the write-off process with the funds holder. Refer to the write-off section of the CONOPS for further procedures in managing and controlling the write-off process.

Once approval to write off an uncollectible accounts receivable is authorized, the field site will record the general ledger entries. The entry will reduce receivables and reduce the allowance for loss on receivables. Periodic reconciliation between the Center and field sites must take place to assure proper reporting is occurring.

The following entries liquidate the accounts receivable balance and reduce the allowance account:

### **Proprietary Accounts:**

TC D212 & D206

Dr 1319 - Allowance for Loss on Accounts Receivable

Dr 1349 - Allowance for Loss on Interest Receivable

Dr 1369 – Allowance for Loss on Penalties, Fines and Administrative Fees

Cr 1310 – Accounts Receivable

Cr 1340 – Interest Receivables

Cr 1360 - Penalties, Fines and Administrative Fees Receivable

Once the field site has recorded the JV, forward a copy of the JV to DMO for their internal processing. The MDMR for the following month will reflect the amount of the write off. The previous month's receivable termination amount for the appropriation should now be recorded in the write-off column and will remain there for the FY. This is a very important reconciliation step. It is paramount the subsidiary ledgers and the accounting systems are in agreement.

### **C4.3.8 Payroll and Individual Out-of-Service Receivable Write-Offs.**

The following entries will be required by Departmental Level Accounting to write off bad debt originating from the pay systems and DCM. The accounting entries are different than those from the CDS as the field sites have already recognized the expense and budgetary impact as a result of the original over-payment through the bi-weekly or monthly pay. Therefore, there will be no entries at the field site.

TC D212 & D206

Dr 1319 - Allowance for Loss on Accounts Receivable

Dr 1349 - Allowance for Loss on Interest Receivable

Dr 1369 – Allowance for Loss on Penalties, Fines and Administrative Fees

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

Cr 1310 – Accounts Receivable

Cr 1340 – Interest Receivable

Cr 1360 - Penalties, Fines and Administrative Fees Receivable

### **Record Collections after Write-Off:**

There are times when a collection is received from a contractor/vendor or individual after the receivable has been removed from the accounting entity's records.

Collections pertaining to contract/vendor over payments received in the year the write-off action occurred will require the field site to reverse the original write off entries described here.

Current year:

No direct TFM reference. Recommend submission of request to Treasury for inclusion of transaction.

Dr 1010 – Funds Balance with Treasury

Cr 6720 – Bad Debts Expense

Individual out of service receivable (DCM) collections are sent to Departmental Level Accounting via IPAC for processing. Monthly TROR will report the collection and write-off to Departmental Level Accounting.

For those collections received during the expired status of the appropriation, the following entries will be required by the field site for contract/vendor payments and Departmental Level Accounting for individual out of service collections. It is important to note these collections will not be reported on the MDMR as they have been previously written off and are no longer reported as a receivable.

No direct TFM reference. Recommend submission of request to Treasury for inclusion of transaction.

General Fund Only (WCF does not have expired years)

### **Proprietary Accounts:**

Dr 1010 – Funds Balance with Treasury

Cr 6720 – Bad Debts Expense

### **Budgetary Accounts:**

Dr 4972 – Downward Adjustments of Prior-Year Paid Delivered Orders – Obligations  
Refunds Collected

Cr 4650 – Allotments – Expired Authority

### **C4.3.9 Collections for Receivables on Closed Year Funds.**

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

The debt organizations and the ARO should be closely monitoring accounts receivable with closed year funds, as any collections will result in deposits to the Treasury accounts. The accounts receivable should be tracked by the ARO and recorded as an account receivable under the closed year appropriation as a non-entity asset.

To ensure consistency between the debt organizations and the AROs, the MDMR will reflect the collection under the closed year appropriation although the actual collection was deposited against the Treasury receipt account R3200. The reasons for tracking this is that the ARO is tracking the receivable under the closed year appropriation as a non-entity asset and accounting entries are required for purposes of anti-deficiency compliance. Furthermore, the debt organizations and ARO maintain the subsidiary ledger under the closed year appropriation until the actual collection or close-out is accomplished. Once the collection is received, the debt organization deposits the collection into the receipt account. The collection voucher records the receipt appropriation line of accounting; however, the closed year appropriation is also clearly identified. A copy of the collection voucher will be provided to the ARO to complete the audit trail. The following entries are required:

General Fund Only (WCF does not have Closed Year Appropriations)

Dr 10XX – Cash Held for Treasury

Cr 13XX – Accounts Receivable – Closed Year Appropriations

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

### **AP1. APPENDIX 1**

#### **MOCAS Demand Letter Tracking Report (DLTR)**

##### **DLTR (DEMAND LETTER TRACKING REPORT)**

###### **AP1.1 Report Attributes.**

Frequency: Monthly.

Cut Off: As of the last day of the month.

Availability: By 5<sup>th</sup> business day after month end.

Location: DFAS4DOD/Comercial Pay Services/Reports (Secured Site) under Monthly Accounts Receivable Report heading.

Source of Data: DLTS (Demand Letter Tracking System) which contains MOCAS A/Rs not transferred to DFAS DMO.

Reports Provided: Three rolling months will be available, each month when a new report is posted, the oldest will be removed.

Report Type: The report is a MS Excel file which can be viewed as a Read only and should be saved to your PC Hard drive for analysis.

###### **AP1.2. Report Description.**

The file contains four tabs as follows:

- **Read Me**: contains general information pertinent to the report data provided in the worksheets. Report changes will be identified here.
- **DLTR New Debts MMM YYYY**: This worksheet contains the NEW MOCAS Debts established during the reporting month. Age of Debt will be 1-30(31) days. Occasionally, there will be debts with an age greater than 30-31 days. These are prior period debts, which were posted to MOCAS during the current reporting period.
- **DLTR Debts On Hand MMM YYYY**: This worksheet represents MOCAS DEBTS On-Hand (new and existing but not closed debts) as of the last day of the reporting month.
- **DLTR Debts Closed MMM YYYY**: This worksheet represents MOCAS Debts (New and On-hand) which Closed during the reporting month.

The columns common for all three reports are:

COLUMN HEADING	DESCRIPTION
CENTER	DFAS Center Name
Field Site	DFAS Field Site Name(OPLOC)

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

Bill of Collection	Bill of Collection number (MOCAS)
Contract Number	PIIN/SPIIN
Contractor's Name	Company's Legal Name
Date of 1 <sup>st</sup> Letter	Date the 1 <sup>st</sup> demand letter was issued to contractor.
Appropriation	Appropriation
ACRN	ACRN
Limit	Limit
Fund Code	Fund Code
Long Line	Long Line of Accounting
Station	Station
New Debt or Ending Balance	Amount of Debt
AGE	Days from date of first letter

**New Debts and Debts On Hand: Debt Aging Columns** In addition to the common headings described above these two reports provide a Debt Aging analysis. The columns categorize debt based on age of debt into 7 age ranges along with a total column. Each Range has a # column which serves as a counter and an Amount. A "1" is shown if age falls into the range and the debt amount is shown in the respective Amount column. A "0" if not. This format is provided to facilitate subtotaling counts and amounts for the aging brackets.

0-90 Days #	Counter: "1" if debt is 0-90 days old, else "0"
0-90 Days Amount	Amount of debt if 0-90 days old, else "\$0.00"
91-180 Days #	Counter: "1" if debt is 91-180 days old, else "0"
91-180 Days Amount	Amount of debt if 91-180 days old
181-360 Days #	Counter: "1" if debt is 181-360 days old, else "0"
181-360 Days Amount	Amount of debt if 181-360 days old
361-720 Days #	Counter: "1" if debt is 361-720 days old, else "0"
361-720 Days Amount	Amount of debt if 361-720 days old
721-2160 Days #	Counter: "1" if debt is 721-2160 days old, else "0"
721-2160 Days Amount	Amount of debt if 721-2160 days old
2160-3600 Days #	Counter: "1" if debt is 2160-3600 days old, else "0"
2160-3600 Days Amount	Amount of debt if 2160-3600 days old
Over 3600 Days #	Counter: "1" if debt is over 3600 days old, else "0"
Over 3600 Days Amount	Amount of debt if over 3600 days old
TOTAL #	Counter: sum of all counters (should only be 1)
Total Amount	Total of Amounts should equal Ending Balance



## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

This report has the following unique columns in addition to the common headings shown above:

Demand Amount	Debt amount
Principal Collected	Amount collected which was principal
Cancelled Debt Amount	Amount of Debt which was canceled
Transfer Out (Adj)	Amount of debt which was transferred to DMO
Write off	Amount written off
Interest collected	Amount collected which was accrued interest
Penalty/Admin Collected	Amount collected which was penalty and/or administrative charges

Remember, we stated earlier, the receivables from the entitlement systems are considered current receivables, and such, there should be no receivable delinquent beyond 90 days residing in these systems. It is incumbent upon us to ensure we adhere to the Treasury procedures for delinquent receivable reporting and our reports on receivables are reconciled accordingly. Transfer procedures and processes are included in the object below. Open with Adobe Acrobat Reader.



COMMERCIAL DEBT TRANSFER PROCEDURES.pdf

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

### AP2. APPENDIX 2

#### **QUARTERLY RECEIVABLE REPORT DEFINITIONS AND INSTRUCTIONS**

##### AP2.1 General.

Index Tab – Each Network has an index tab that is hot-linked to the other tabs. A single click on any of the titles will carry you to the corresponding tab for that entity.

Template Requirement - A template has been created for each reporting entity. If an entity does not have any receivable data for a given reporting period, please select, “NO DATA”, from the drop down menu at the top of the worksheet. If a reporting entity only has undistributed collections, do not select the “NO DATA” option. Enter the undistributed amount as defined in this instruction.

Dollar Amounts – Dollar amounts should be rounded to the nearest whole dollar.

For Quarter Ending – Enter the last month of the reporting quarter and year as MMM-YY.

#### **Column Header Title Definitions**

Non-Delinquent – Non-delinquent debts are debts that have not exceeded the due dates, and includes debts that are under an installment agreement provided the amounts and due dates established in the agreement have been maintained by the debtor.

Current – Debts that have due dates within a 12-month period.

Non-Current – Debts that have due dates extended beyond a 12-month period.

Aged Delinquent Accounts Receivable – Debts that have not been paid by the payment due date specified in the agency’s initial written demand for payment or applicable agreement or instrument (including a post-delinquency payment agreement). Debts are considered due on the date of the bill but normally contain a 30 day grace period.

- Delinquent receivables are aged from the payment due date which is also the original bill date. If the “grace” period expires without payment, then the receivable is aged from the original bill date. Once a debt is identified as delinquent, the aging of the debt starts from the original bill date. For example, if an invoice is provided to the customer on August 1 and payment is not received by September 1, the debt is 31 days delinquent and should be included in “1 – 90 days” column. Therefore, the minimum period for a delinquent receivable is 31 days.

Number of Receivables (Count) – The number should represent the actual number of debts or claims. Examples: (1) if a debtor has several separate claims, each claim should

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

be counted individually; or (2) if a claim has numerous bills/invoices or is being paid in installments, each invoice or installment payment should not be counted individually; the underlying claim is counted once. This definition was established by the Department of Treasury and should be used when preparing the Treasury Report of Receivables. For purposes of completing the quarterly accounts receivable report, this definition applies to both public and intergovernmental receivables.

### **Report Definitions**

**Section I Type of Debt – Public** – The objective of Section I is to identify all sources of the Department of Defense (DoD) accounts receivable due from the public. By identifying specific types and ages of the accounts receivable, problem areas can quickly be identified and the direction of the necessary corrective actions can be established. The terms accounts receivable and debts are interchangeable for these definitions/instructions.

**Military Pay (In Service Debt Only)** – Amounts due to the DoD from active duty military, Air National Guard Reserve, and reserve personnel. The debts are maintained in the Defense Joint Military Pay System (DJMS) or the Marine Corp Total Force System (MCTFS). Reasons for debts include but are not limited to salary overpayments, travel overpayments, and damage to government property. As long as debts are maintained in DJMS or MCTFS, the amounts due are classified as non-delinquent and current. Monthly files are provided to the Defense Finance and Accounting Service (DFAS) Centralized Field Sites from DJMS and MCTFS and should be used as the source of Military Pay debts for all in service personnel. Contact the appropriate accounting network for military pay debt information.

**Civilian Pay (In Service Only)** – Amounts due to the DoD from active civil service employees, or separated civilian service employees who are making installment payments. These debts are processed by the Defense Civilian Payroll System (DCPS) at the following locations: (1) Pensacola, (2) Charleston, and (3) Denver. Types of debts within DCPS are either salary-generated debts or non-salary debts. Examples of salary-generated debts include but are not limited to personnel actions that impact salary computations and time and attendance errors. Examples of non-salary generated debts include but are not limited to overpayment of travel, collection of employee training expenses, non-payment of medical bills to military medical facilities, and report of surveys (Government Property Lost or Damaged Debts). All debts are to be paid in full within three years. As long as debts are maintained in the DCPS the amounts due are classified as non-delinquent and current. However, if a scheduled repayment is missed, the related debt becomes delinquent and aging is required. Court-ordered garnishments, court judgments, and payments of commercial debts are not part of DCPS receivables. The debt file from DCPS will be provided monthly to the DFAS Centralized Field Sites. Contact the appropriate accounting network for civilian pay debt information.

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

Retirement Pay – Amounts due to the DoD as a result of payment to a retiree, annuitant, or legal fiduciary, which exceeds the legal entitlement. Only Cleveland and Denver will be reporting retirement pay. These Centralized Field Sites are responsible for retirement pay debts and should categorize and age these debts based on the definitions provided.

Individual Out-of-Service (DDMS – Denver) – Amounts due to the DoD by individuals who do not have an active payroll account in any DoD system. The debts reported in this category are \$225 or more and have been transferred to and accepted by the Defense Debt Management System (DDMS) at DFAS-Denver for collection assistance. The debtors include former military service members, former civilian employees, and individuals with no prior service or department employment. Individual Out-of-Service debt amounts are reported to the DFAS Central Field Sites by DDMS and should be categorized and aged based on the definitions provided.

Contractor Debt – Mechanization of Contract Administration System (MOCAS) – Amounts due to the DoD as a result of payments that exceed legal entitlement to vendors in which the Contract Entitlement Directorate attempts to recoup the overpayment by issuing demand letters and offsetting the amount against a future invoice. Contractor debts residing in MOCAS are reported to the DFAS Centralized Field Site by the MOCAS at DFAS-Columbus and should be categorized and aged based on the definitions provided.

Contractor Debt – Contract Debt System (CDS) – Amounts due to the Department of Defense by commercial entities. The debts in this category are \$600 or more and have been transferred to and accepted by the Columbus Contract Debt Collection Office for collection assistance. These debts are based on overpayments as determined by the contracting officers, disbursing officers, entitlement system operational personnel, and accounts receivable office personnel who issued the initial demand letter. Contract debt amounts are reported to the DFAS Centralized Field Sites by the Columbus Contract Debt Collection Office and should be categorized and aged based on the definitions provided.

Vendor Debt (Excluding referrals to CDS –DFAS/CO) – Amounts due to the DoD as a result of duplicate, erroneous, overpayments, and credit memorandums to vendors in which the vendor payment entitlement systems attempts to recoup the overpayment by issuing demand letters and offsetting the amount against a future invoice. The vendor pay debts are from contracts not administered by Defense Contract Management Agency and paid by the Contract Pay Directorate at DFAS-CO, and the entitlement is established in one of the vendor pay entitlement systems. The vendor pay debts will be reported to the Field Sites ARO by the vendor pay entitlements systems. Each Field Site ARO will obtain the necessary vendor pay debts residing in the entitlement systems and reconcile these amounts with the vendor pay debts reported in the accounting records. All

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

difference between the entitlement systems and the accounting records should be resolved. The vendor pay debts should be categorized and aged based on the definitions provided.

Foreign Government ( FMS & Other) – Amounts due to the DoD by foreign governments. These debts relate to sales of goods and services, administrative costs, or other activities that result in amounts due to the DoD from the foreign entities. The foreign government debts are maintained at the field sites of each service network and should be categorized and aged based on the definition provided.

Sales of Goods and Services – Amounts due to the DoD by entities outside of the federal government, excluding foreign governments, from the sales of goods and services. The sales of goods and service debts reside at the field sites and should be categorized and aged based on the definitions provided.

Municipal Water Storage Contracts – Amounts due from municipalities as a result of water storage contracts that allow the municipalities to use public lands for water reserves. The municipal water storage contract amounts are categorized as non-delinquent, current and non-current based on the definitions provided. However, if payments are not received in accordance with due dates, the debts should be treated as delinquent debts. These debts are unique to the Army Corp of Engineers.

Land Leases – Amounts due from municipalities as a result of land leases. The land lease amounts are categorized as non-delinquent, current and non-current based on the definitions provided. However, if payments are not received in accordance with due dates, the debts should be treated as delinquent debts. These debts are unique to the Army Corp of Engineers.

Other – Amounts due to the DoD by public entities that cannot be identified with any other definition described herein. The amounts should be categorized and aged based on the definitions provided.

Interest – Amount accrued or assessed in order to stimulate prompt payment of debts and to recover the cost of the Department of Treasury borrowing necessitated by unpaid debts. Interest accrues from the date of the mailing or hand delivery of the demand letter that must contain a specific notice of the requirement concerning interest. Interest amounts should be categorized and aged based on the definitions provided. Include other penalties related to the debts in this type category as well.

Subtotal – A total of all sources of accounts receivable amounts.

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

Debts Written-Off but pursued by CDS or DDMS – The amount of debts written off by the accounting activities as a result of regulatory guidance but the collection actions are continued by activities outside of accounting. The theory for subtracting this type of debt is to exclude the amounts written off by accounting but still included in the amounts reported by Individual-Out-of-Service (DDMS – Denver) and Contractor Debt (CDS – Columbus).

Section IB Type of Debt – Intergovernmental – The objective of Section IB is to identify all sources of intergovernmental debts within and outside of the DoD. The reason for this distinction is that different guidelines apply to each source of debt (i.e. timelines and collection procedures).

Due within DoD – Intergovernmental debts arise from the sales of goods and services between DoD components. The existence of these transactions between DoD components result in the performing activity recording a receivable due from another DoD component, or a receivable Due within DoD. These amounts should be categorized and aged based on the definitions provided.

Debts Outside of DoD - Intergovernmental debts arise from the sales of goods and services to other federal entities outside of the DoD. The existence of these transactions between DoD components and federal agencies outside of DoD result in the DoD performing activity recording a receivable due from another federal agency, or a Debt Outside of DoD. These amounts should be categorized and aged based on the definitions provided.

Section II Debt Status – The objective of Section II is to identify the dollar value of the debts that reside at each stage of the collection process.

Section IIA Debt Status – Public – The objective of Section IIA is to identify the status of the reported public receivables in order to manage the point in time at which the debts should be referred to the appropriate parties for collection assistance. This Section specifically identifies the “Total Amount Actively Being Pursued” by the reporting entity. The aging of this category establishes the data necessary for further analysis in Section III.

Total Public – Gross from IA (Net of Write-offs) – These amounts are carried from Section IA Total Public – Gross. The summation of all public debt types less the debts written-off are brought down in order to identify the status of all receivables carried in the accounting records.

In Litigation – Amounts due to the DoD by public entities. However, the debts are in legal proceedings and are excluded from the referral to the Department of Treasury until a legal decision is announced. The aging of debts in litigation is required and should be based on the definitions provided.

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

In Bankruptcy – Amounts due to the DoD by public entities that have been legally declared a bankrupt. The aging of debt in bankruptcy is required and should be based on the definition provided.

In Dispute (Not at Appeals Board) – Amounts due to the DoD by public entities that the collection status is to be resolved through an agency administrative process. However the debtor has 90 days to bring it before the Armed Services Board of Contract Appeals or 1 year to bring the dispute before a US District Court. The aging of these debts is required and should be based on the definitions provided.

At Treasury – Amounts due to the DoD by public entities that have been referred to the Department of Treasury for collection efforts. The aging of debts at Treasury is required and should be based on the definitions provided.

Individual Out-of-Service Debt (DDMS) – Amounts due to the DoD by individuals who do not have an active payroll account in any DoD system. The debts reported in this category are \$225 or more, have aged 180 days or more, and have been transferred to and accepted by the DDMS at DFAS-Denver, as well as debts transferred to DDMS that are awaiting acceptance. These are cumulative amounts that the field sites have transferred to DDMS. The only difference in these DDMS debts and those identified in Section IA is the debts awaiting acceptance by DDMS. There should be referral packages supporting the unaccepted debt amounts.

Contractor Debt (CDS less amount at Treasury) - Amounts due to the DoD by commercial entities that have been referred to the CDS at DFAS-Columbus for collection assistance less the amounts referred to the Department of Treasury, to include interest reported by CDS and listed separately in Section IA. The debts in this category are \$600 or more, aged 180 days or more, and have been transferred to and acceptance by the Columbus Contract Debt Collection Office, as well as debts transferred to the Contract Debt Collection Office that are awaiting acceptance. These are the cumulative amount of debts the field site has transferred CDS. The difference in these CDS debts and those identified in Section IA is the debts awaiting acceptance by CDS. There should be referral packages supporting the unaccepted debt amounts.

Total Amount Actively Being Pursued – Amount of public debts that are actively being pursued by the field sites less the debts in legal proceedings or protection and those referred to other appropriate parties for collection assistance.

Section IIB – Intergovernmental - The objective of Section IIB is to identify the status of the reported intergovernmental receivables in order to manage the point in time at which the collection efforts should be enhanced.

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

Debts Within DoD - Intergovernmental debts arise from the sales of goods and services between DoD components. For example Army to Army, Army to Navy, Army to Air Force, etc. The existence of these transactions between DoD components result in the performing activity recording a receivable due from another DoD component, or Debts within DoD. These amounts should be categorized and aged based on the definitions provided.

Amounts \$2,500 and less - For debts of \$2,500 or less, specific collection requirements are specified in the DoD Financial Management Regulations (FMR) and the Accounts Receivable CONOPS.

Amounts Over \$2,500 - For debts of over \$2,500, specific collection requirements are specified in the DoDFMR and the Accounts Receivable CONOPS.

Debts Outside of DoD - Intergovernmental debts arise from the sales of goods and services to other federal entities outside of DoD. For example Army to Department of State, Air Force to Department of Interior, etc. The existence of these transactions between DoD components and federal agencies outside of DoD result in the DoD performing activity recording a receivable due from another federal agency, or a Debt Outside of DoD. These amounts are automatically brought down from Section IB.

Section III – The objective of Section III is to analyze the public debt aged 180 days and over. This section take the amounts that are actively pursued by the field sites less the exclusions from referral in order to identify debts that should have been referred. An analysis is required on the debts aged 180 days or more that are not excluded from referral.

Total Amount Actively Being Pursued Greater than 180 Days – Amounts due to the DoD by public entities that are aged greater than 180 days. These amounts are automatically brought down from Section IIA.

Exclusions from Referral – Amounts due to the DoD that are specifically excluded from the referral to the Department of Treasury by the Debt Collection Improvement Act of 1996 and DoD Financial Management Regulations.

NAFI – Non-appropriated Fund Instrumentalities – An integral DoD organizational entity that performs an essential Government function. It acts in its own name to provide or to assist other DoD organizations in providing morale, welfare, and recreation programs for military personnel and authorized civilians (i.e. commissaries, officers club, etc.).

FMS - Amounts due to the DoD by foreign governments. These debts relate to sales of goods and services, administrative costs or other activities that result in



## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

amounts due to the DoD from the foreign entities. The foreign government debts are maintained at the field sites of each service network and should be categorized and aged based on the definition provided.

Debts Under an Asset Sales Program – Debts that have collateral assets attached and the collection of the debts has focused on liquidating the collateral assets in order to obtain payment.

Debts Transferred to a Private Collection Agency – Amounts due to the DoD that have been transferred to a private collection agency for resolution.

Debt Collection by Internal Offset – Amounts due to the DoD by public entities that will be collected within 3 years from the time of delinquency by offsetting future invoices or payments to the debtor.

Individual Debts Less than \$225 – Amounts due to the DoD by individuals that would normally be transferred to DDMS at DFAS-Denver but failed to meet the \$225 threshold for referral. These amounts are taken to the appropriate funds holder to coordinate the write-off procedures necessary for resolution.

Contractor Debts Less than \$600 – Amounts due to the DoD by contractors that would normally be transferred to CDS at DFAS-Columbus but failed to meet the \$600 threshold for referral. These amounts are taken to the appropriate funds holder to coordinate the write-off procedures necessary for resolution.

Grand Total of Analysis of Receivables not Referred – Amounts due to the DoD by public entities net of exclusions from referral that should have been transferred to the Department of Treasury. (See Edits built into the Worksheet #3) A detailed analysis is required for positive amounts to explain the following:

- Reasons for not referring the debt
- State the required action for resolution
- Identify a time period required for resolution

Undistributed Collections- Public - The amount of undistributed collections allocated to public receivables. Undistributed collections are the differences between collections recorded at the detail level to a specific receivable in the activity field records verses those by the Department of Treasury via the reconciled DD 1329 and DD1400.

Undistributed Collections – Intergovernmental - The amount of undistributed collections allocated to intergovernmental receivables. Undistributed collections the difference between collections recorded at the detail level to a specific receivable in the activity field records verses those by the Department of Treasury via the reconciled DD 1329 and DD1400.

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

Undistributed Collections – Total is a summation of the “Undistributed Collections – Public” and the “Undistributed Collections – Intergovernmental”.

### **AP2.2 Edits built into the Worksheet.**

1. “Grand Total Type of Debt” must balance with “Grand Total Debt Status”. If the count or the total amount or both the count and amount in the two sections are not equal, a problem exists somewhere in your worksheet. As a result, this error generates an error message at the bottom of your worksheet which states,  
“GRAND TOTAL TYPE OF DEBT (CELL \*\*34) IS OUT-OF-BALANCE WITH GRAND TOTAL DEBT STATUS (CELL \*\*56).” Corrective actions are required. The asterisk means the error message will indicate which cell/s is/are out of balance.
2. If “Grand Total of Analysis of Receivables not Referred” is a negative amount, a problem exists because the exclusion from referral exceeds “Total Amount Actively Being Pursued Greater than 180 Days”. This error generates an error message at the bottom of the worksheet that states, “ERROR – EXCLUSIONS FROM REFERRAL AND DEBT TRANSFERRED TO DEBT MANAGEMENT EXCEED TOTAL ACTIVELY BEING PURSUED GREATER THAN 180 DAYS”. Corrective actions are required.
3. The existence of counts/amounts in the “Grand Total of Analysis of Receivables not Referred” row generates a message that states “ACTION REQUIRED! DIFFERENCE (CELL \*\*69), TOTAL ACTIVELY PURSUING >180 EXCEEDS EXCLUSIONS FROM REFERRALS AND DEBT TRANSFERRED TO DEBT MGT. A NARRATIVE IS REQUIRED TO EXPLAIN THIS DIFFERENCE, PLEASE ADDRESS THE FOLLOWING 3 QUESTIONS IN YOUR NARRATIVE:
  - 1) FOR CELL \*\*69, PROVIDE REASONS FOR NOT REFERRING DEBT
  - 2) FOR CELL \*\*69, STATE REQUIRED ACTIONS FOR RESOLUTION
  - 3) FOR CELL \*\*69, IDENTIFY A TIME PERIOD REQUIRED FOR RESOLUTION

The asterisk means the error message will indicate whether the count, the amount or both cells, the count and amount is/are causing the error condition.

**Recon Tab** - This tab was added to assist each network in reconciling the Quarterly Receivable Report (QRR) with the financial statements produced in the Defense Departmental Reporting System (DDRS), as required by the DoD Deputy Chief Financial Officer. The reconciliation tab compares three items: (1) the financial statements, (2) the QRR, and (3) the Treasury Report of Receivables (TROR). The intent is to support the accounts receivable amounts reported on the financial statements by analyzing those amounts in regard to type, age, and status. The financial statements and the QRR should reconcile. However, the Office of Management and Budget (OMB) Circular A-129 states the following:

“Agencies are also required to report periodically to Treasury on the status and condition of their non-tax delinquent portfolio on the <TROR>. Due to a timing difference between the submissions of fiscal year-end data for the TROR, and data used for agency financial statements (the fiscal year-end receivables report is due in November and agency financial statements are

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

not due until February/March of the following year), the data in these two reports may not be identical. Agencies should be able to explain differences and show the relationship of information contained in the two reports, but the reports are not required to reconcile.” A separate reconciliation is required of each reporting entity within each network. For example, for each tab representing a general fund, working capital fund, or other defense organization, a separate reconciliation is required. The reconciliation tab has a column set up for each reporting entity within the related network.

Financials – Information for this section should be pulled directly from DDRS.

Public – Receivables due from the public.

Gross – The gross amounts are automatically calculated when the allowance and net receivable amounts are entered.

Allowance – The Allowance for Doubtful Accounts information is reported in Footnote #5 to the financial statements in DDRS. This amount must be entered to reconcile to the QRR.

Net Receivables – The Net Receivables is pulled directly from line 1.C. on the Consolidated Balance Sheet of the specific reporting entity within DDRS.

Intergovernmental – Receivables due from other federal organizations to include DoD components.

Gross – The gross amounts are automatically calculated when the elimination and net receivable amounts are entered.

Elimination – The amount of receivables eliminated to reduce the related party transactions associated with certain trading partners. The appropriate elimination amounts are located in DDRS and can be found by using the following instructions:

1. Enter DDRS
2. Click on “Reports”
3. Click on “Management”
4. Click “Trading Partner with Elimination Levels”
5. The following Level should be used:

Service General Funds (i.e. Army, Navy, Air Force) - Level 1

Service Working Capital Fund (i.e. Army, Navy, Air Force) – Level 1

Other Defense Organizations General Funds – Level 4 (then add the applicable elimination amounts for the respective program)

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

Other Defense Organizations Working Capital Funds – Level 4 (then add the applicable elimination amounts for the respective program)

### 6. Click Run

Elimination Within Entities (Level 4, 5 & 6) – Enter as one dollar amount on line 12 under the column/s provided. These levels are receivables within the entity itself, e.g., AF WCF Supply Mgt (medical dental) to AF WCF Supply Mgt (material support); Navy WCF Ordinance to Navy WCF Ordinance, etc.

Elimination Across Entities (Level 3) – Enter the amount on line 13 under the column/s provided. This level represents receivables across entities, e.g., AF WCF Depot Maintenance to AF WCF Supply Mgt, Army GF Active Army to Army GF Army Reserve, Navy GF to Navy GF, etc.

Elimination Between Funds (Level 2) – Enter the amount on line 14 under the column provided. This level represents receivables between funds, e.g., Army GF to Army WCF, Navy GF to Navy WCF, Marines GF to Marines WCF, Navy GF to Army WCF.

Net Receivables – This amount is pulled directly from line 1.A.3 on the Consolidated Balance Sheet of the specific reporting entity within DDRS. The Net Receivable amount represents the intergovernmental receivables less the elimination.

QRR – The amounts included in the reconciliation for the QRR are automatically carried from the worksheets prepared for each reporting entity, no input is required in this section of the reconciliation tab.

### Public

Total Public – Gross – This amount is automatically pulled from the QRR, line 27.

Undistributed – This amount is automatically pulled directly from the QRR, line 71.

Gross Public Receivables – This amount is automatically calculated by subtracting the Undistributed from the Total Public – Gross.

### Intergovernmental

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

Total Intergovernmental – Gross – This amount is automatically pulled from the QRR, line 54.

Undistributed – This amount is automatically pulled directly from the QRR, line 72.

Gross Intergovernmental Receivables – This amount is automatically calculated by subtracting the Undistributed from the Total Intergovernmental – Gross.

### **TROR**

#### **Public**

Gross – This amount is reported on line 7 of the TROR.

#### **Recon**

AFS Public vs QRR – This is a calculated amount that represents the difference between the Public Gross calculated in the Financials section of the reconciliation and the QRR Total Public – Gross. A narrative is required to explain this difference and should include:

1. Specific reasons for the difference
2. Corrections actions required

AFS Inter vs QRR – This is a calculated amount that represents the difference between the Intergovernmental Gross calculated in the Financials section of the reconciliation and the QRR Total Intergovernmental – Gross. A narrative is required to explain this difference and should include:

1. Specific reasons for the difference
2. Corrective actions required

AFS vs TROR – This is a calculated amount that represent the difference between the Public Gross calculated in the Financials section of the reconciliation and the TROR Public Gross. A narrative is required to explain the differences and show the relationship of information contained in the two reports.

Reconciliation Information from Network – This section should be used to provide explanations for difference addressed above.

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

### Instructions for Submitting QRR to DFAS-Arlington

DFAS Centralized Field Site Instructions for building the Report - Due the sixth business day of the second month following a quarter.

1. Open the template (.xlt) file for your centralized field site.  
CLQRR.xlt  
COQRR.xlt  
DEQRR.xlt  
KCQRR.xlt  
INQRR.xlt  
ACEQRR.xlt
2. Immediately do a 'Save As', an excel worksheet (.xls) file with the new file name for your centralized field site.

Naming standards are as follows.

CCQRR\_MMMYY.xls (i.e. CLQRRDEC02.xls)

CC – Centralized Field Site Identifier (CL, CO, DE, KC, IN)

QRR –Quarterly Receivables Report, this stays the same.

MMM – End of Quarter Calendar month, this value will only be MAR, JUN, SEP, or DEC.

YY – Calendar Year, 02, 03

3. On each sheet/tab, enter the last month of the reporting quarter and year as MMM-YY.
4. Begin inputting the field site information on the appropriate tabs. Instructions are located at the top of each sheet in yellow regarding input.
5. The report has been protected through Excel to allow input only where necessary.
6. When sending the quarterly QRR to DFAS Arlington via email please refer to the follow email standards for sending quarterly files.

(1) Email Distribution: ALL email transmittals, of any nature, SHOULD ALWAYS include the following recipients.

Pablo.Corica@DFAS.mil

Bridget.Donovan@DFAS.mil

(2) Email Standardization: Utilize the following format and naming convention (Abbreviation Codes ONLY) to be inserted in the subject line of every email through which files are submitted for use in the quarterly DFAS Arlington Reports as generated by our Team.

*Format:*

## CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE

CENTRALIZED SITE CODE / REPORT TYPE CODE / REPORT PERIOD *Example:* IN / QRR / Mar 03 (See Codes for use below)

<u>CENTRALIZED SITE:</u>		<u>REPORT TYPE:</u>	<u>REPORT</u>
<u>PERIOD:</u>			
IN	Indianapolis	QRR	Quarterly Receivables
CO	Columbus		Report
CL	Cleveland		
KC	Kansas City		
DE	Denver		
ACE	US Army Corps of Engineers		

### \*Helpful hints:

- Periodically save your report while updating to avoid data loss.
- Check the bottom of the report for input errors illustrated in RED
- Use TEMP tabs only if you are adding a NEW field site to your report. Please note this in your email when you send your quarterly report to DFAS-Arlington.
- Be careful not to save over your template file, you will need this for future reports. Contact headquarters immediately if you overlay your template file.
- The reports are linked therefore you cannot remove worksheets from the workbook without creating errors in the report. All input must be completed within the workbook.
- Please USE the QRR template as is, thank you!

AP3. APPENDIX 3

SAMPLE LETTERS

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

### **AP3.1 SAMPLE DUE PROCESS LETTERS.**

#### **SAMPLE LETTER FOR CONTRACTOR DEBT**

DFAS-BKRD/CC

Date

Company Name

Company Address

City, State Zip Code

Dear Defense Contractor:

This letter is to inform you that you are indebted to the United States Government in the amount of \$XX,XXX.XX on Contract No. XXXXXX-XX-XXXX, Bill of Collection (BOC) Number XXXXX. This debt is due to (describe the basis of debt to include check numbers and/or EFT tracer numbers and the date the debt occurred).

We request that you send a check in the amount of \$XX, XXX.XX, payable to (the Treasurer of the United States.

Please include the BOC number and Control Number to ensure that your payment is properly credited.

If payment in full is not received within 30 days from the date of this letter, interest will be charged on any unpaid portion of the principal from the date of this letter, as provided in the Federal Acquisition Regulation 32.614-1, at the rate established by the U.S. Treasury under Public Law 92-41. The current rate is X.XXX per cent per year. In addition, you will be assessed an additional administrative fee of \$26 to cover costs specifically associated with the administration and collection of a delinquent debt. If the debt is forwarded to the Debt Management Office, Contract Pay Services, Columbus, Ohio, an additional administrative charge of \$50 will be assessed.

You may inspect and copy or request a copy of the records pertaining to this debt. If you believe that the debt is invalid or the amount is incorrect, please contact us immediately, in writing. Interest will continue to accrue from the date of this letter while the debt is in dispute. Therefore, you are encouraged to immediately remit the entire amount of this debt to the above address. Your explanation and supporting documentation for any disputed amounts must be mailed to (the vendor pay applicable address).

If you are financially unable to pay the full amount of the debt at the present time, you may request a written agreement to pay the debt in installments. Your request for an installment agreement should be in writing and supported by certified statements of income and financial position covering the last 12 months. Requests for installments should be made to this office. We



## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

will forward your request for installments to DFAS Columbus DMO (DFAS-BKRD/CC). Any further inquiries should be forwarded to the Debt Management Office.

Defense Finance and Accounting Service – Columbus  
ATTN: DFAS-BKRD/CC  
P.O. Box 182317  
Columbus, Ohio 43218-2317

If full payment is not received within 60 days from the date of this letter, we will transfer the debt to the Department of the Treasury for collection. A fee for amounts collected will be added to the debt as part of the administrative charge. As a result of this transfer, the following actions may be taken:

- a. The debt will be subject to the Department of Treasury offset from Federal payments due to (you or your company, as applicable). A fee for each offset made will be added to the debt as part of the administrative charge. Federal payments eligible for this offset include contract payments, Federal income tax refunds, and other payments not exempt.
- b. The debt may be reported to a credit bureau.
- c. The debt may be referred to a private collection agency. In such instance, a fee for collections made will be added to the debt as part of the administrative charge.
- d. The debt may be referred to the Department of Justice for litigation. In such case, an administrative cost will be added to the debt.

In accordance with FAR 32.611, we may, at any time, exercise our rights to take offset action against any unpaid invoices.

If you have any questions, please contact (your applicable point of contact). Please reference BOC number XXXXX.

Respectfully,

SIGNATURE BLOCK

Enclosures  
As stated

**Draft**  
**Not for Use**

## CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE



DEFENSE FINANCE AND ACCOUNTING SERVICE  
(LOCATION)  
(ADDRESS)  
(ADDRESS)

### SAMPLE LETTER FOR INTERGOVERNMENT BILL

(Name and Address)

April 18, 2003

The attachment represents a bill or claim (bill) payable to our agency. Payment is due in full within 30 days from the date of this letter. Please make your check payable to "Treasurer of the United States" and forward your payment with a copy of the attachment to:

Defense Finance and Accounting Service (Location)  
Attention: (Code)  
(ADDRESS)  
(ADDRESS)

If payment is not received within 30 days of this bill and your agency has not provided a letter showing reasonable cause for nonpayment, we shall charge your agency via automated or established self-collection methods. Valid causes for nonpayment include the lack of authority to bill, non-receipt of goods, or duplicate bills. Upon receipt of valid causes, we will adjust/correct the bill. Unpaid bills of \$2,500 or less with letters with invalid causes for nonpayment will be charged to your agency. Unpaid bills without automated or established self-collection methods will be forwarded to your component comptroller or next level designee for payment. Unpaid bills over \$2,500 with letters explaining the cause for nonpayment but considered invalid will be forwarded to your component comptroller or next level designee for resolution. If no response is received within 30 days from the letter to your comptroller, we will charge your agency. Federal agencies that are not part of the Department of Defense (DoD) with unpaid bills are subject to providing advance funding prior to the receipt of future materiel or services. This collection process is outlined in the DoD Financial Management Regulation 7000.14-R Volume 4, Chapter 3.

Should you consider the debt to be invalid or the amount to be incorrect, please contact (Name) DFAS (location) immediately, at (XXX) XXX-XXXX or email first name.last name@dfas.mil. If you do not have the supporting documentation for the bill, we will provide a copy via either fax or e-mail.

Respectfully,

SIGNATURE BLOCK

Attachment  
As stated

## CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE



### DEFENSE FINANCE AND ACCOUNTING SERVICE

(LOCATION)

(ADDRESS)

(ADDRESS)

### SAMPLE LETTER FOR FOLLOW-UP ON INTERGOVERNMENT BILL

(Name and Address)

April 18, 2003

The attachment represents delinquent debt you owe our agency as shown in our records. Payment is due in full. Since payment was not received within 30 days of the initial bill or claim (bill) date nor has your agency provided a letter showing reasonable cause for nonpayment, we have started the collection process as outlined in the initial bill.

The first collection process is to collect funds for the delinquent debt via automated or established self-collection methods. This includes the collection of debt for \$2,500 or less for which we received letters explaining the cause for nonpayment but considered invalid. Should automated or established self-collection methods be unavailable, we forward this request for payment to your component comptroller or next level designee. Debt over \$2,500 for which we received letters explaining the cause for nonpayment but considered invalid are forwarded to your component comptroller or next level designee for resolution. If no response is received within 30 days from the letter to the comptroller, we will charge your agency for the debt. Federal agencies with delinquent debt that are not part of the Department of Defense (DoD) are also subject to providing advance funding prior to the receipt of future materiel or services. This collection process is outlined in DoD Financial Management Regulation 7000.14-R Volume 4, Chapter 3.

Should your agency plan to pay the delinquent debt, please contact our office prior to mailing the payment to verify we have not already automatically collected funds for the debt. Payments should be made payable to "Treasurer of the United States" and forwarded with a copy of the attachment to:

Defense Finance and Accounting Service (Location)

Attention: (Code)

(ADDRESS)

(ADDRESS)

Should you consider the debt to be invalid or the amount to be incorrect, please contact (Name) DFAS (location) immediately, at (XXX) XXX-XXXX or email first name.last name@dfas.mil. If you do not have the supporting documentation for the bill, we will provide a copy via either fax or e-mail.

Respectfully,

SIGNATURE BLOCK

Attachment  
As stated

## CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE



### DEFENSE FINANCE AND ACCOUNTING SERVICE

(LOCATION)

(ADDRESS)

(ADDRESS)

### SAMPLE LETTER FOR PUBLIC BILL

(Name and Address)

April 18, 2003

The attachment represents a bill or claim (bill) payable to our agency. Payment is due in full within 30 days from the date of this letter. Please make your check payable to "Treasurer of the United States" and forward your payment with a copy of the attachment to:

Defense Finance and Accounting Service (Location)

Attention: (Code)

(ADDRESS)

(ADDRESS)

If payment is not received within 30 days of this bill, interest will be charged on the unpaid portion at the rate established by the U.S. Treasury from the date of this bill in accordance with Section 3717 Title 31 of the U.S. Codes. The applicable interest rate is shown on the attachment. After 30 days from this letter, we may collect payment by taking offset action against any of your unpaid invoices. You will be assessed an administrative fee of \$26 to cover costs specifically associated with the administration and collection of bills over 30 days old (delinquent debt). If the debt is forwarded to the Debt Management Office, Contract Pay Services, Columbus, Ohio, an additional administrative charge of \$50 will be assessed.

If full payment is not received within 90 days from the date of this letter, we will transfer the debt to the Debt Management Office for collection. They will continue the collection process and if unsuccessful, will transfer the delinquent debt to the Department of Treasury for further collection. As a result of this transfer, the following actions may be taken:

- a. The debt will be subject to the Department of Treasury offset from Federal payments due to (you or your company, as applicable). A fee for each offset made will be added to the debt as part of the administrative charge. Federal payments eligible for offsets include contract payments, Federal income tax refunds, and other payments not exempt.
- b. The debt may be reported to a credit bureau.
- c. The debt may be referred to a private collection agency. In such instance, a fee for collections made will be added to the debt as part of the administrative charge.
- d. The debt may be referred to the Department of Justice for litigation. In such case, an administrative cost will be added to the debt.

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

You may inspect and/or request a copy of the records pertaining to this debt. If you believe the debt is invalid or the amount is incorrect, please contact us immediately. If you are financially unable to pay the full amount of the debt at the present time, you may request a written agreement to pay the debt in installments. Your request for an installment agreement should be in writing and supported by certified statements of income and financial position covering the last 12 months. The point of contact for this debt is, (Name) DFAS (location) immediately, at (XXX) XXX-XXXX or email first name.last [name@dfas.mil](mailto:dfas@dfas.mil).

Respectfully,

SIGNATURE BLOCK

Attachment  
As stated

## CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE



DEFENSE FINANCE AND ACCOUNTING SERVICE  
(LOCATION)  
(ADDRESS)  
(ADDRESS)

SAMPLE FOR FOLLOW-UP ON PUBLIC BILL

(Name and Address)

April 18, 2003

The attachment represents delinquent debt you owe our agency as shown in our records. Payment is due in full. Since payment was not received within 30 days of the initial bill or claim (bill) date, we have started the collection process as outlined in the initial bill. The first collection process is to collect funds for the debt by offsetting any of your unpaid invoices.

Since payment was not received within 30 days of the initial bill date, interest has started to accrue as of the date of the original bill on the unpaid portion at the rate established by the U.S. Treasury in accordance with Section 3717 Title 31 of the U.S. Codes. The applicable interest rate and the amount of interest due per day are shown on the attachment. An administrative fee of \$26 was also applied to each bill to cover costs specifically associated with the administration and collection of the delinquent debt.

If full payment is not received within 30 days from the date of this letter, we will transfer the debt to the Debt Management Office, Contract Pay Services, Columbus, Ohio, which will assess an additional \$50 administrative fee. They will continue the collection process and if unsuccessful, will transfer the delinquent debt to the Department of Treasury for further collection. As a result of this transfer, the following actions may be taken:

- a. The debt will be subject to the Department of Treasury offset from Federal payments due to (you or your company, as applicable). A fee for each offset made will be added to the debt as part of the administrative charge. Federal payments eligible for offsets include contract payments, Federal income tax refunds, and other payments not exempt.
- b. The debt may be reported to a credit bureau.
- c. The debt may be referred to a private collection agency. In such instance, a fee for collections made will be added to the debt as part of the administrative charge.
- d. The debt may be referred to the Department of Justice for litigation. In such case, an administrative cost will be added to the debt.

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

Should your agency plan to pay the delinquent debt, please contact our office prior to mailing the payment to verify we have not already automatically collected by offsetting your unpaid invoices. Payments should be made payable to "Treasurer of the United States" and forwarded with a copy of the attachment to:

Defense Finance and Accounting Service (Location)

Attention: (Code)

(ADDRESS)

(ADDRESS)

You may inspect and/or request a copy of the records pertaining to this debt. If you believe the debt is invalid or the amount is incorrect, please contact us immediately. If you are financially unable to pay the full amount of the debt at the present time, you may request a written agreement to pay the debt in installments. Your request for an installment agreement should be in writing and supported by certified statements of income and financial position covering the last 12 months. . The point of contact for this debt is, (Name) DFAS (location) immediately, at (XXX) XXX-XXXX or email first name.last name@dfas.mil.

Respectfully,

SIGNATURE BLOCK

Attachment

As stated

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

Attachment

### **BILLS/CLAIMS OUTSTANDING:**

<u>Commodity</u>	<u>Bill/ Claim No.</u>	<u>Bill Date</u>	<u>Number Days Old</u>	<u>Amount Owed</u>	<u>Interest Accrued Through</u>	<u>Daily Interest Amount</u>
------------------	----------------------------	------------------	--------------------------------	------------------------	---	--------------------------------------

Totals: \_\_\_\_\_ \$ \_\_\_\_\_

Interest Amount \$ \_\_\_\_\_

Administrative Fee \$ \_\_\_\_\_

Total Amount Owed \$ \_\_\_\_\_

Interest Rate (U.S. Treasury Current Value of Funds):

<u>Period</u>	<u>Rate</u>
01/01/03 - 12/31/03	2.00%

Notes: The amount of interest due will continue to accrue until payment is received. The daily interest amount is shown to allow estimated interest accrued to be included in your payment. The administrative fee of \$26 is applied to each bill or claim of \$200 or more.

**WHEN PAYING - PLEASE IDENTIFY WHICH BILLS YOU ARE PAYING AND THAT THEY ARE STOCK FUND BILLS!**



## CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE



DEFENSE FINANCE AND ACCOUNTING SERVICE  
(LOCATION)  
(ADDRESS)  
(ADDRESS)

### SAMPLE LETTER FOR PUBLIC BILL ARISING FROM A DUPLICATE OR ERRONEOUS PAYMENT

(Name and Address)

April 18, 2003

The attachment represents a bill or claim (bill) payable to our agency resulting from a duplicate or erroneous payment. Payment is due in full within 30 days from the date of this letter. Please make your check payable to "Treasurer of the United States" and forward your payment with a copy of the attachment to:

Defense Finance and Accounting Service (Location)  
Attention: (Code)  
(ADDRESS)  
(ADDRESS)

If payment is not received within 30 days of this bill, interest will be charged on the unpaid portion at the rate established by the U.S. Treasury from the date of this bill in accordance with Section 3717 Title 31 of the U.S. Codes. The applicable interest rate is shown on the attachment. After 30 days from this letter, we will collect payment by taking offset action against any of your unpaid invoices. You will be assessed an administrative fee of \$26 to cover costs specifically associated with the administration and collection of bills over 30 days old (delinquent debt). If the debt is forwarded to the Debt Management Office, Contract Pay Services, Columbus, Ohio, an additional administrative charge of \$50 will be assessed.

If full payment is not received within 90 days from the date of this letter, we will transfer the debt to the Debt Management Office for collection. They will continue the collection process and if unsuccessful, will transfer the delinquent debt to the Department of Treasury for further collection. As a result of this transfer, the following actions may be taken:

- a. The debt will be subject to the Department of Treasury offset from Federal payments due to (you or your company, as applicable). A fee for each offset made will be added to the debt as part of the administrative charge. Federal payments eligible for offsets include contract payments, Federal income tax refunds, and other payments not exempt.
- b. The debt may be reported to a credit bureau.
- c. The debt may be referred to a private collection agency. In such instance, a fee for collections made will be added to the debt as part of the administrative charge.
- d. The debt may be referred to the Department of Justice for litigation. In such case, an administrative cost will be added to the debt.

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

You may inspect and/or request a copy of the records pertaining to this debt. If you believe the debt is invalid or the amount is incorrect, please contact us immediately. If you are financially unable to pay the full amount of the debt at the present time, you may request a written agreement to pay the debt in installments. Your request for an installment agreement should be in writing and supported by certified statements of income and financial position covering the last 12 months. The point of contact for this debt is, (Name) DFAS (location) immediately, at (XXX) XXX-XXXX or email first name.last name@dfas.mil.

Respectfully,

SIGNATURE BLOCK

Attachment  
As stated

# **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

## **SAMPLE INDIVIDUAL TRAVEL SETTLEMENT LETTER**

DFAS-XX

**SUSPENSE: #####**

**DATE: #####**

NAME  
ADDRESS  
ADDRESS

Subject: Outstanding Travel Advance

Dear NAME

Records in the Travel Division show you received TDY Advance in the amount of \$#####. Under authority of travel order number #####. Therefore, you are indebted to the United States Government for \$#####.

In accordance with DFAS-IN Regulation 37-1, Chapter 10 paragraph 100505 F2 you are required to submit a settlement voucher within 15 days after completion of TDY. If you have not already done so, please submit a completed DD 1351-2 settlement voucher to:

DFAS-IN/Directorate for Network Ops  
Dept. 3291, Debt Management  
ATTN: NAME  
8899 East 56th Street  
Indianapolis, IN 46249-3291

Voucher must be received at the above address no later than the suspense date above, or an administrative charge of \$15.00 will be added to your existing debt and the entire amount of \$##### will be deducted from your next regular pay without further notice.

**IF YOU HAVE ALREADY SUBMITTED A SETTLEMENT, PLEASE FAX OR MAIL A COPY TO POC.**

If you did not complete this travel, you are required to return the amount of the advance issued to you in full. Make your check or money order payable to the 'United States Treasury'. Mail your payment to the address above. If you have repaid the advance, please furnish a copy of a canceled check or money order showing the debt was paid.

Please include a copy of this letter with your submission.

If you have any questions regarding your debt, please call at (XXX)-XXX-XXX or DSN XXX-XXX or FAX (XXX)-XXX-XXXX You may also email ENTER EMAIL ADDRESS.

Sincerely,  
SIGNATURE BLOCK

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

### **SAMPLE TRAVEL OVER PAYMENT LETTER**

DFAS-XX

**SUSPENSE: #####**

**DATE: #####**

NAME  
ADDRESS  
ADDRESS

Dear NAME,

Records in the Travel Division show you received a travel advance /partial payments totaling the amount of \$#####, under authority of travel order number #####.

You were paid entitlements of \$##### for this TDY , on settlement voucher ##### dated #####. Your entitlements were computed to be less than your partial payments, resulting in an overpayment and balance due the United States Government of \$#####.

If, amount due has not been repaid, please send a check or money order made payable to the 'United States Treasury' to:

DFAS-IN/Directorate for Network Ops  
Dept. 3291, Debt Management  
ATTN: NAME  
8899 E. 56<sup>th</sup> Street  
Indianapolis, IN 46249-3291

Your payment must be received no later than the above suspense date or an administrative charge of \$15.00 will be added to your existing debt and the entire amount of \$##### will be deducted from your next regular pay without further notice.

If you have evidence the amount due has been previously repaid please furnish proof of payment: copy of a canceled check, money order or additional DD 1351-2, you may have filed on this travel order. If a supplemental 1351-2 has to be filed, please contact POC.

Please include a copy of this letter with your submission.

If you have any questions regarding your debt, please call POC at (XXX) XXX-XXXX or DSN XXX-XXXX or FAX (XXX) XXX-XXX. You may also email POC at [ENTER EMAIL ADDRESS](#)

Sincerely,

SIGNATURE BLOCK

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

### **SAMPLE TRAVEL DUPLICATE PAYMENT LETTER**

DFAS-XX

**SUSPENSE: #####**

**DATE: #####**

NAME

ADDRESS

ADDRESS

Dear NAME,

Records in the Travel Division show you received a payment of travel entitlements in the amount of \$ ##### under authority of travel order number #####, voucher number #####, dated #####.

You were paid duplicate entitlements for this TDY on settlement voucher number #####, dated #####, resulting in a debt due the United States Government of \$#####.

If this amount due has not been repaid, please forward a check or money order for the full amount due, made payable to 'U.S. Treasury' to:

DFAS-IN/Directorate for Network Ops  
Dept. 3291, Debt Management  
ATTN: NAME  
8899 East 56th Street  
Indianapolis, IN 46249-3291

Your payment must be received no later than the above due date or an administrative charge of \$15.00 will be added to your existing debt and the entire amount of \$##### will be deducted from your next regular pay without further notice.

If you have evidence the amount due has been previously repaid, please furnish proof of payment such as a canceled check, money order or additional DD 1351-2 you may have filed on this travel order.

Please include a copy of this letter with your submission.

If you have any questions regarding your travel account, please call POC at (XXX) XXX-XXXX or DSN XXX-XXXX or FAX (XXX)-XXX-XXXX. You may also email POC at [ENTER EMAIL ADDRESS](#)

Sincerely,

SIGNATURE BLOCK

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

### **SAMPLE TRAVEL ADVANCE COLLECTION LETTER**

DFAS-XX

**SUSPENSE: #####**

**DATE: #####**

NAME  
ADDRESS  
ADDRESS

Dear NAME,

Records in the Travel Division show you received an advance of travel pay in the amount of \$ ##### under authority of travel order number #####, voucher number #####, dated #####.

You were paid entitlements for this TDY on settlement voucher number #####, dated #####. Unfortunately, the settlement voucher was erroneously entered with a different travel order number than the advance. The advance was not deducted from the settlement entitlements, resulting in a debt due the United States Government of \$#####.

If this amount due has not been repaid, please forward a check or money order for the full amount due, made payable to 'U.S. Treasury' to:

DFAS-IN/Directorate for Network Ops  
Dept. 3291, Debt Management  
ATTN: NAME  
8899 East 56th Street  
Indianapolis, IN 46249-3291

Your payment must be received no later than ##### or an administrative charge of \$15.00 will be added to your existing debt and the entire amount of \$##### will be deducted from your next regular pay without further notice.

**If you have evidence the amount due has been previously repaid, please furnish proof of payment such as a canceled check, money order or additional DD 1351-2 you may have filed on this travel order.**

Please include a copy of this letter with your submission.

If you have any questions regarding your travel account, please call POC at (XXX) XXX-XXX or DSN XXX-XXXX or FAX (XXX)-XXX-XXXX You may also email POC at [ENTER EMAIL ADDRESS](#)

Sincerely,

SIGNATURE BLOCK

# **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

## **SAMPLE TRAVEL ENTITLEMENTS OVER PAYMENT LETTER**

DFAS-XX

**SUSPENSE: #####**

**DATE: #####**

**NAME**

ADDRESS

ADDRESS

Dear NAME,

You received a payment of travel entitlements in the amount of \$#####. A supplemental voucher has been processed to collect an overpayment of STATE REASON. It was processed on DOV #####, dated #####. Your entitlements were subsequently adjusted to \$#####, resulting in an overpayment and balance due the United States Government of \$#####.

Please send a check or money order made payable to the 'United States Treasury' to:

DFAS-IN/Directorate for Network Ops  
Dept 3291, Debt Management  
ATTN: NAME  
Indianapolis, IN 46249-3291

Your payment must be received no later than the above suspense date or an administrative charge of \$15.00 will be added to your existing debt and the entire amount of \$##### will be deducted from your next regular pay without further notice.

**If you have evidence the amount due has been previously repaid, please furnish proof of payment such as a copy of a canceled check, money order or additional DD 1351-2 you may have filed on this travel order.**

Please include a copy of this letter with your submission.

If you have any questions regarding your debt, please call POC at (XXX)-XXX-XXX or DSN XXX-XXX of FAX (XXX)-XXX-XXX or DSN XXX-XXX. You may also email POC at ENTER EMAIL ADDRESS.

Sincerely,

SIGNATURE BLOCK

# **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

## **AP4. APPENDIX 4**

### **Statements of Federal Financial Accounting Standards**

AP4.1 SFFAS NO. 1  
210

#### **AP4.1.1 Accounts Receivable.**

40. Accounts receivable arise from claims to cash or other assets. The accounting standard for accounts receivable is set forth below.
41. Recognition of receivables. A receivable should be recognized when a federal entity establishes a claim to cash or other assets against other entities, either based on legal provisions, such as a payment due date (e.g. taxes not received by the date they are due) or goods or services provided. If the exact amount is unknown, a reasonable estimate should be made.
42. Separate reporting. Receivables from federal entities are intergovernmental receivables, and should be reported separately from receivables from non-federal entities.
43. Entity vs. Non-entity receivables. Receivables should be distinguished between entity receivables and non-entity receivables. Entity receivables are amounts that a federal entity claims for payment from other federal or non-federal entities and that the federal entity is authorized by law to include in its obligational authority or to offset its expenditures and liabilities upon collection. Non-entity receivables are amounts that the entity collects on behalf of the U.S. government or other entities, and the entity is not authorized to spend. Receivables not available to an entity are non- entity assets and should be reported separately from receivables available to the entity.

<sup>3</sup>The word recognition used in this document bears the same meaning as used by the Financial Accounting Standards Board (FASB) in its conceptual statements. It means the process of formally recording or incorporating an item into the financial statements of an entity as an asset, liability, revenue, expense, or the like. A recognized item is depicted in both words and numbers, with the amount included in the statement totals. Recognition comprehends both initial recognition of an item and recognition of subsequent changes in or removal of a previously recognized item. FASB Statement of Financial Accounting Concepts No. 5, par. 6.

<sup>4</sup>An entity may have receivables that, once collected, can be used as offsets to the entity's budget authority and outlays only when authorized by Congress. Before receiving the authorization, however, those receivables are non-entity receivables.

<sup>5</sup>Governmental receipts include collections arising from the sovereign and regulatory powers unique to the federal government, e.g., income tax receipts, customs duties, court fines, certain license fees, etc. A federal entity may be responsible for collecting these receipts on behalf of the U.S. government, but is not authorized to use the monies collected to offset its expenditures.

Volume 1, Version 1.0  
February 28, 1997



## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

SFFAS NO. 1

211

44. Recognition of losses due to uncollectible amounts. Losses on receivables should be recognized when it is more likely than not that the receivables will not be totally collected. The phrase *more likely than not* means more than a 50 percent chance of loss occurrence.
45. An allowance for estimated uncollectible amounts should be recognized to reduce the gross amount of receivables to its net realizable value. The allowance for uncollectible amounts should be reestimated on each annual financial reporting date and when information indicates that the latest estimate is no longer correct.
46. Measurement of losses. Losses due to uncollectible amounts should be measured through a systematic methodology. The systematic methodology should be based on analysis of both individual accounts and a group of accounts as a whole.
47. Individual account analysis. Accounts that represent significant amounts should be individually analyzed to determine the loss allowance. Loss estimation for individual accounts should be based on (a) the debtor's ability to pay, (b) the debtor's payment record and willingness to pay, and (c) the probable recovery of amounts from secondary sources, including liens, garnishments, cross collections and other applicable collection tools.
48. The allowance for losses generally cannot be based solely on the results of individual account analysis. In many cases, information may not be available to make a reliable assessment of losses on an individual account basis or the nature of the receivables may not lend itself to individual account analysis. In these cases, potential losses should be assessed on a group basis.
49. Group analysis. To determine the loss allowance on a group basis, receivables should be separated into groups of homogeneous accounts with similar risk characteristics.
50. The groups should reflect the operating environment. For example, accounts receivable can be grouped by: debtor category (business firms, state and local governments, and individuals), (b) reasons that gave rise to the receivables (tax delinquencies, erroneous benefit payments, trade accounts based on goods and services sold, and transfers of defaulted loans to accounts receivable), or (c) geographic regions (foreign countries, and domestic regions). Within a group, receivables are further stratified by risk characteristics. Examples of risk factors are economic stability, payment history, alternative repayment sources, and aging of the receivables.
51. Statistical estimation by modelling or sampling is one appropriate method for estimating losses on groups of receivables. Statistical estimation should take into consideration factors that are essential for estimating the level of losses, including historical loss experience, recent economic events, current and forecast economic conditions, and inherent risks.

<sup>6</sup>In the Board's Exposure Draft, *Accounting for Direct Loans And Loan Guarantees*, September 15, 1992, receivables are accounted for on a net present value basis.

Volume 1, Version 1.0  
February 28, 1997

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

SFFAS NO. 1  
212

52. *Disclosure.* Agencies should disclose the major categories of receivables by amount and type, the methodology used to estimate the allowance for uncollectible amounts, and the total allowance.

### **AP4.2 Interest Receivable.**

53. Interest receivable should be recognized for the amount of interest income earned but not received for an accounting period. Interest receivable should be recognized as it is earned on investments in interest-bearing securities. Interest also should be recognized on outstanding accounts receivable and other U.S. government claims against persons and entities in accordance with provisions in 31 U.S.C. 3717, Interest and Penalty Claims. (See also Federal Claims Collection Standards, 4 CFR Part 103, paragraph 102.13.)
54. No interest should be recognized on accounts receivable or investments that are determined to be uncollectible unless the interest is actually collected. Payments received from the debtor are required to be applied first to penalty and administrative cost charged, second to interest receivable, and third to outstanding receivable principal, per Federal Claims Collection Standards, 4 C.F.R. 102.13(f).
55. However, until the interest payment requirement is officially waived by the government entity or the related receivable is written off, interest accrued on uncollectible accounts receivable should be disclosed.
56. Interest receivable from federal entities should be accounted for and reported separately from interest receivable from the public.

<sup>7</sup>Accounting for inputted interest, interest on long-term leases, interest on loans, and interest on amounts deposited in credit reform accounts will be addressed when the Board considers accounting standards in these areas.

Volume 1, Version 1.0  
February 28, 1997

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

### **AP5. APPENDIX 5**

#### **RECONCILIATION OF ACCOUNTS RECEIVABLE DATA CONTAINED IN FINANCIAL REPORTS**

##### **AP5.1 Purpose.**

The purpose of this document is to provide instructions on reconciling the various financial reports, primarily the Audited Financial Statements, that contain Accounts Receivable due from the Public.

##### **AP5.2 Background.**

The Department of Treasury Instructional Workbook for Preparing the Treasury Report on Receivables defines a receivable “as an amount owed the Government by an individual, organization, public entity (for example, state and local governments) or other entity to satisfy a receivable or claim.” The DoD Financial Management Regulation (FMR) 7000.14-R, Volume 4, Chapter 3, paragraph 0302, provides policy on accounts receivable. Volume 6, Chapter 5, paragraph 050405, Table 1, provides a decision table for the accounting treatment of receivable-like items.

All receivables will be recorded in the accounting systems when earned. Entry should never be delayed until collection is accomplished. Interest receivable will be recorded when the income from the interest is earned but not collected. Allowances for uncollectible accounts will be established. Subsidiary records must provide for the aging of all amounts due as prescribed by the FMR 7000.14-R Volume 4 Chapter 3, paragraph 030212. The data provided by sources outside of the accounting system should be analyzed and, if properly supported, immediately entered into the accounting system. Ideally, this should happen within the month of discovery. Regardless, all receivables must be posted into the accounting systems and reconciled to control accounts to ensure proper financial reporting.

The “Treasury Report on Receivables” (TROR) is prepared in compliance with Department of Treasury guidance. This report is the most comprehensive of the financial management reports regarding non-Federal receivables. It requires the data to be aged in predetermined categories and reported as to the number and value of accounts in each category. It provides a means for collecting data on the status and condition of the total receivable portfolio owed from non-Federal sources. The TROR will contain data from all subsidiary non-Federal receivable sources. These sources include, but are not limited to, the Defense Receivable Management System (individual out-of-service receivable and contractor receivable), the Mechanization of Contract Administration System, the Defense Civilian Pay System, the Military Pay Systems (Defense Joint Military Pay System and Marine Corps Total Force System,) and receivables being pursued by field activities. Consolidated feeder reports will be prepared at the “Departmental Level” and should include all accounts receivable due from the public.

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

The Audited Financial Statements will be prepared in accordance with DoD FMR, Volume 6B.

### **AP5.3 Reconciliation Requirements.**

The following financial reports include accounts receivable as an integral part of their reporting mechanisms. The reconciliation and balancing of the accounts receivable data contained in these reports is discussed below.

The Audited Financial Statements' (AFS) Balance Sheet is prepared quarterly and reports Accounts Receivable amounts by Federal and non-Federal Receivables and Entity or non-Entity. The receivables amounts on the face of the statements are reported net of the Allowance for Loss on Accounts Receivable. Footnote disclosure reveals the value of gross receivables and the value in the Allowance for Loss on Accounts Receivable account.

The Report on Budget Execution (General Funds), SF 133 and the Defense Working Capital Fund Accounting Report [Accounting Report (M) 1307] are prepared monthly and report Accounts Receivable data that combine public and non-public receivables. Since these reports do not segregate Federal and non-Federal receivables, it cannot be used to reconcile non-Federal receivables to other reports.

#### **AP5.3.1 Reconciliation #1 (AFS Public Receivables to TROR).**

The gross non-Federal Accounts Receivable amount (Entity plus Non-Entity) from the Balance Sheet should equal line 7 (Ending Balance at fiscal year end) in Part 1 (Status of Receivables) on the TROR. Each quarter, there will be a reconcilable difference for Foreign Military Sales (FMS). The TROR does not contain FMS receivables.

#### **AP5.3.2 Reconciliation #2 (FACTS I Public Receivables to AFS and TROR).**

The annual Federal Agencies Centralized Trial Balance System (FACTS) includes entity and non-entity receivables as a part of its submission. This report should reconcile to the amount reported on the TROR and to the Balance Sheet. Differences must be footnoted and must be fully explained.

Reconciliation of the receivable subsidiary ledgers to the general ledger accounts will be accomplished as an integral part of any receivable report preparation.

#### **AP5.3.3 Reconciliation #3 (TROR Public Receivables to General Ledger).**

The total receivables amount reported on Line 7 of the TROR must equal the public receivable balances reported in the general ledger. Differences are to be footnoted and fully explained.

Subsidiary reporting entity reports will be reconciled in a similar fashion and the sum total of their reports should reconcile to the total amount reported in the general ledger accounts and on the TROR.

## **CONCEPT OF OPERATIONS FOR MANAGING ACCOUNTS RECEIVABLE**

### **AP5.3.4 Reconciliation #4-(QRR to AFS).**

The QRR will be reconciled to the AFS Balance Sheet, Accounts Receivable Federal/non-Federal (Entity plus Non-Entity) and FACTS I. Differences will be disclosed by footnote and must be fully explained.

### **AP5.3.5 Reconciliation #5 (MDMR to General Ledger).**

The ARO will reconcile to the MDMR and is also responsible for the reconciled/validated debt in the MDMR being properly recorded in the GLTB, AFS, QRR and the TROR reports. The ARO will also be responsible for supporting all balances reported via the GLTB on the AFS.